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# Morals and politics in the ideology of neo-liberalism

**Bruno Amable\***

*Université de Paris I Panthéon—Sorbonne and CEPREMAP, Paris, France*

\*Correspondence: [bruno.amable@univ-paris1.fr](mailto:bruno.amable@univ-paris1.fr)

The aim of this article is to analyse the links between the moral and political aspects of neo-liberal ideology and how appeals to certain ethics may legitimate the establishment of the institutions of neo-liberal capitalism through political action. It presents the original characteristics of neo-liberal ideology by emphasizing how it differs from classical liberalism. Although pressures and contradictions are inherent in neo-liberalism, it is possible to single out some of its most original characteristics which are far more vital to the analysis of capitalism than vague and commonplace notions such as “market fundamentalism”. It also describes those moral aspects of neo-liberalism which differ from traditional morals and place the ethos of competitiveness at the centre of social life. It shows how the morals of neo-liberalism are linked to neo-liberal politics and policies. Freed in part from public sovereignty, neo-liberal politics must be guided by a moral imperative linked to competition. This paper reveals the consequences of these morals and politics for the definition of social policy. A contract based on reciprocity between the individual and society is substituted for collective rights to social protection and redistribution. This change in perspective is particularly important for the social policy advocated by the “modern” left.

**Keywords:** capitalism, ethics, ideology, neo-liberalism

**JEL classification:** B52 institutional, evolutionary approaches

## 1. Introduction

Although neo-liberalism can feature in many economic, political or sociological debates, its main characteristics are often wrongly perceived. If one is to believe the definition given in Wikipedia, used here to exemplify the popular (mis)understanding of the term, neo-liberalism is ‘a label for economic liberalism or [...] “laissez-faire”’.<sup>1</sup> But even a distinguished scientist such as economics Nobel Prize

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<sup>1</sup><http://en.wikipedia.org/wiki/Neo-liberalism>, definition of March 28, 2009.

winner Joseph Stiglitz seems to think that neo-liberalism is a ‘grab-bag of ideas based on the fundamentalist notion that markets are self-correcting, allocate resources efficiently, and serve the public interest well’. Stiglitz thus associates neo-liberalism with the crude notion of ‘market fundamentalism’ (Stiglitz, 2008), which compounds eighteenth-century classical liberalism, nineteenth-century Manchester school *laissez faire*, twentieth-century neo-liberalism and libertarianism. The problem is that this lack of distinction disguises the most significant and original aspects of the neo-liberal ideology as well as the true nature of the political actions it inspires. In its popular representation, neo-liberalism is reduced to a fight against “state interventionism” and any public intervention in the economy is consequently held to be a victory by its most naïve opponents, even when this intervention actually follows the neo-liberal precepts.<sup>2</sup>

The same applies to the issue of morals, particularly in the current debate on neo-liberalism and the financial crisis. It has become commonplace to bemoan the lack of moral values in modern capitalism and it is Stiglitz (2010) again who condemns the ‘moral depravity’ of an ‘ersatz capitalism’ that ‘socialise[s] losses and privatise[s] profits’ and a financial sector that exploits the poor and the middle classes. According to Stiglitz, this leads to ‘a society in which materialism overwhelms moral commitment’ because ‘[m]arket fundamentalism has eroded any sense of community’. Stiglitz (2010) must then inevitably ask: ‘Didn’t those engaged in these practices have any moral compunction?’ Well, probably not, because it is totally wrong to believe that neo-liberalism is devoid of any moral content to start with. On the contrary, one may say that morals play a central role in the establishment of a neo-liberal society.

The aim of this article is to analyse the links between the moral and political aspects of the neo-liberal ideology and how appeals to certain ethics may legitimate the establishment of the institutions characteristic of neo-liberal capitalism through political action. Contrary to any conclusions drawn from simplistic notions such as “market fundamentalism”, public intervention could well be inspired by neo-liberal ideology and the influence of neo-liberalism is not limited to the politics of the conservative right but also permeates the ideology of the “modern” left.<sup>3</sup> Indeed, the currently fashionable calls to put morals into the market and politics can be interpreted as another facet of the domination of neo-liberal ideology and as such contribute to reinforcing the legitimacy of capitalism. But we must be clear about which moral values we mean. In neo-liberal capitalism, ideological pressures arise to delegitimize collective action when it is liable to lead to redistribution or protection from competition.

<sup>2</sup>Duménil and Lévy (2009), on the other hand, take into account the role of the state in their Marxist analysis of neo-liberalism.

<sup>3</sup>The “modern” left is defined here as the left that relates to the Third Way of Giddens (1994).

These pressures take the form of a moral duty to commodify labour power and respect the market competition outcomes as just. This leads not only to a challenging of social protection as economically inefficient and morally reprehensible, but also to a critique of democracy and sovereignty of the people.

The idea that ethics is somehow functional<sup>4</sup> to the development and stability of capitalism is far from new, and some of its highly respectable intellectual origins can readily be found in the works of Adam Smith (1759) and Max Weber (2000). In order to perform in an efficient and orderly way, the constraints of capitalism have to be internalized by individuals, who must then adhere to values that reinforce the social structures upon which capitalism is built. Such values and norms can be found in the various strands of economic liberalism. Neo-liberalism as an ideology possesses some original characteristics. It is based on the idea that the ideal world order should be a “free” and “fair” competition between individuals. This competition is always under threat by groups who try to protect themselves from its rigour and consequences and seek to obtain more than their due share. Public intervention is thus legitimated when it tries to restore the conditions of fair competition and “level the playing field”. Competition has, therefore, a dual economic and moral aspect: it enhances the global efficiency of the economic system by allowing the best individuals to contribute the most to prosperity; it rewards individuals according to their merits, brings out the best in them and allows them to better themselves. Of course, the question of the fairness of competition is complicated by the actual inequality among individuals. Equality of *ex ante* situations is impossible to attain in practice and there are some divergences even within the neo-liberal family as to what extent *ex ante* inequalities, at birth, for instance, should be compensated through public intervention; the more classically liberal of the neo-liberals are inclined to non-intervention,<sup>5</sup> whereas the most social neo-liberals, e.g. the “modern” left, would insist on the importance of “equality of opportunity”. If this leaves room for substantial political opposition between left and right neo-liberals, it nevertheless constrains the political choices within the boundaries of neo-liberalism by holding that society must be organized on the basis of individual competition.

Competition plays a crucial role in neo-liberal ideology. First, it is a supreme principle, which should be placed above political influences. As a consequence,

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<sup>4</sup>In order to ward off unnecessary accusations of “functionalism”, let us simply say that certain ethics may have a function at certain times in a given social configuration without having been created for this purpose.

<sup>5</sup>“There is, of course, neither greater merit nor greater injustice involved in some people being born to wealthy parents as there is in others being born to kind or intelligent parents” Hayek (1960, pp. 79–80).

the only public intervention conceivable is one which would preserve the laws of competition. Competition-enhancing decisions are justified in reference to moral considerations independent of partisan politics. This process of depoliticization by reducing political problems to their economic or moral dimension predates neo-liberalism and is characteristic of liberal thought in general (Schmitt, 1999). The consequence is an elitist critique of democracy promoting a mode of governance where an enlightened elite guided by ethical considerations would preserve the common good from the dangers of “populism”.

Second, the ethic of self-reliance is a social norm in the neo-liberal society. Any organized interest is considered illegitimate and social questions should consequently be treated at the individual level. Public intervention is far from being prohibited but must be justified by reference to the promotion of individual competition, not as a way to alter the results of a supposedly free and fair process. As a consequence, redistribution, i.e. *ex post* change in income distribution,<sup>6</sup> or social protection, i.e. an attempt to limit the rigour of competition, is considered illegitimate. The individual is left exposed to economic risks and *should* not expect any guarantee of unconditional support, nor, of course, be granted any collective rights, because this would be morally reprehensible, provided that public intervention ensures that competition is fair, which means that every individual is exposed to it and no protection against competition is granted by the state.

The paper analyses the moral and political content of the neo-liberal ideology and is organized as follows. The next section depicts the original characteristics of neo-liberal ideology by emphasizing that it should be distinguished from both classical liberalism and *laissez faire*. Although pressures and contradictions are inherent in neo-liberalism, it is possible to single out those of its most original characteristics that are far more vital to the analysis of contemporary capitalism than vague and commonplace notions such as “market fundamentalism”. The following section describes those moral aspects of neo-liberalism, which differ from traditional morals and place the ethos of competitiveness at the centre of social life. Section 3 shows how the morals of neo-liberalism are linked to neo-liberal politics and policies. Freed in part from public sovereignty, neo-liberal politics must be guided by a moral imperative linked to competition. Section 4 reveals the consequences of these morals and politics for the definition of social policy. A contract based on reciprocity between the individual and society is substituted for collective rights to social protection and redistribution. This change in perspective is particularly important for the social policy advocated by the “modern” left. A brief conclusion follows.

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<sup>6</sup>After the test of market competition. This should be distinguished from the question of *ex ante* distribution.

## 2. Neo-liberalism

Neo-liberalism can be defined from several points of view. It is an ideology which legitimates individual competition and questions collective structures; it is a political project of institutional transformation, against any attempt to institute “collectivism” and against the types of capitalism which had resulted from the various social-democratic compromises, in particular in the post-war period, such as redistributive social protection, workers’ collective rights or legal protection of employment and economic status; it can also be seen as a ‘form of existence’ (Dardot and Laval, 2009), as a norm of life characterized by a generalized competition with others, than being defined as the set of discourses, practices, devices which determine a new mode of governance of humans according to the general principle of competition.

### 2.1 Classical liberalism and its decline

What recently published researches on neo-liberalism (Denord, 2001, 2007, 2009; Schui and Blankenburg, 2002; Foucault, 2004; Laval, 2007; Dardot and Laval, 2009) have shown is that neo-liberalism is distinct from classical liberalism and above all from the simple *laissez faire* vulgate which conceives self-regulating markets as a natural reality and consequently regards public intervention as a negative of the market. This vulgate propagates a discourse based on simplistic opposites such as state versus market, constraint versus freedom, closed versus open or flexible versus rigid (Bourdieu and Wacquant, 2001). It may have occasional importance and effectiveness in the political discourse in some countries,<sup>7</sup> but the crude categories on which it is based cannot serve as instruments for an analysis of the structural transformations of contemporary capitalism without coming up against pseudo-puzzles such as the presence of a strong regulatory state in the most neo-liberal varieties of capitalism<sup>8</sup> or be stuck with sterile opposites like ‘liberalism versus interventionism’.

Although neither classical liberalism nor neo-liberalism is free from pressures and internal contradictions,<sup>9</sup> one may try to briefly summarize the original characteristics distinguishing one from the other. As Foucault (2004) and Dardot and Laval (2009) emphasize, classical liberalism aimed to provide an answer to the question of the limits to the power of government. The limits would impose themselves on government because of the complexity of economic mechanisms. It would be in

<sup>7</sup>Mostly the USA.

<sup>8</sup>Against this pseudo-puzzle, Bellon (1986), for instance, showed that US industrial policy could be defined as ‘liberal interventionism’.

<sup>9</sup>Between the *Ordoliberalismus* of Röpke and the Austrian variety of neo-liberalism of Hayek, for instance.

the interest of a government, in order to have a prosperous country, to extend economic freedoms and to be cautious in any action affecting the economy. The motto of the liberal state is, therefore, according to Jeremy Bentham: 'be quiet'. This does not mean that the state should do nothing but that it should be cautious and act indirectly because it is incapable of exerting a direct influence.

Again, the differences between the various traditions within the liberal school should not be underestimated. For the French physiocrats, the state's non-*interfering* with economic mechanisms assumes a constant *intervention* of a political power itself governed by the natural laws of the economy discovered by the economists. *Laissez-faire* is then absolute respect for natural rights (property and commerce). For the Scottish enlightenment, *laissez-faire* means respecting trends in human nature without bothering about the end result. For Bentham, on the other hand, there are no natural rights but effective rights created by an authority established in order to maximize utility. Rather than strengthening its control over individuals, a liberal government will maximize the control that individuals have over their own lives so as to maximize their happiness.

A conflict between the logic of individual rights and the principle of utility, which could be used to justify social-reformist state interventions,<sup>10</sup> is inherent in classical liberalism. To avoid those social reformist temptations, social Darwinism put forward the notions that will later be at the centre of neo-liberal thought: struggle and competition.<sup>11</sup> Social Darwinism, as Foucault (2004) and Dardot and Laval (2009) show it, is instrumental in shifting the focus of liberal thought from exchange, and the related notion of the harmony of interests, to competition and struggle among individuals. An important difference is that if everybody is expected to win in exchange, some may lose in competition. Social Darwinism proposes a social theory in which the struggle for existence is a struggle against nature that makes human beings compete with each other, for scarce resources at the very least. For social Darwinists such as Spencer, competition between individuals is seen as an evolutionary principle leading to the improvement not only of society but also of the individual, an element which is alien to the classical liberal thought of the eighteenth century. In social Darwinism, competition between individuals is seen as law of nature (Sumner, 1914) sanctioning the survival of the fittest. As a consequence, any attempt to lessen inequalities would amount to fostering the 'survival of the unfittest', 'carrying society downward' and favouring its 'worst members'.<sup>12</sup> It follows that state

<sup>10</sup>The legacy of this tradition can be found in the economics of social choice and welfare (Arrow *et al.*, 2002).

<sup>11</sup>Foucault (2004, pp. 122–125).

<sup>12</sup>'We can take the rewards from those who have done better and give them to those who have done worse. We shall thus lessen the inequalities. We shall favor the survival of the unfittest, and we shall

intervention and regulation would water down inter-individual competition and should consequently be kept to a strict minimum, if not prohibited altogether.

However, *laissez-faire* was in practice ‘a political and economic myth [...] a slogan or war cry employed by new forms of enterprise in their politico-economical war against the landed oligarchy’ (Brebner, 1948, p. 60). If eighteenth-century liberalism was a critique of despotism, nineteenth-century *laissez-faire* turned into a defence of the established order and its basic axioms had become increasingly contested: ‘Not only is it false that men, when let alone, will always follow their best interests, but it is false that when they do, they will always thereby best serve society’ (Fisher, 1907, p. 21). The failure of liberal doctrine to analyse the evolution of the economy and society became evident with the oligopolistic evolution of industrial market structures, denying the relevance of perfect competition; the First World War, shaking the belief in the harmony of interests; the Russian revolution, and its alternative of a planned economy; and the 1930s crisis, questioning the reality of markets’ self-regulation: ‘liberalism died, killed not by the will of men or because of a free action of governments, but because of an unavoidable internal evolution.’<sup>13</sup>

## 2.2 An alternative to *laissez-faire* and collectivism

The need to have an alternative to both *laissez-faire* and central planning became widespread in liberal circles.<sup>14</sup> French philosopher Louis Rougier (1938) proposed a ‘constructive liberalism’ or ‘neo-liberalism’ which does not share with Manchester School *laissez-faire* the belief that the market order is natural and that the state should consequently not intervene in the economy. A common characteristic of all varieties of neo-liberalism is to hold the market and capitalism as anything but given by nature. Those are artificial and historical constructions which exist only because a certain institutional framework makes their existence possible. Since the market order is a construction, a political *agenda* aiming to institute it can be elaborated.

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accomplish this by destroying liberty. Let it be understood that we cannot go outside of this alternative: liberty, inequality, survival of the fittest; not-liberty, equality, survival of the unfittest. The former carries society forward and favors all its best members; the latter carries society downwards and favors all its worst members’ (Sumner, 1914, p. 19).

<sup>13</sup>A. Detoeuf cited in Denord (2007, p. 85).

<sup>14</sup>Fisher (1907), Keynes (1926). Fisher sums up the dilemma in the following terms: ‘the menace of socialism can best be met if we understand and acknowledge the evils which it is intended to remedy. The preliminary to remedy is diagnosis, and an accurate diagnosis will save us from the error of both extremes—the extreme, on the one hand, of an overdose of socialism, and the extreme, on the other hand, of omitting all medication whatever’ (p. 27).

To illustrate the difference between neo-liberalism, *laissez-faire* and planning, Rougier uses the metaphor of traffic regulation: Manchester School *laissez faire* would leave cars free to travel as they want and in any direction, leading to traffic jams and accidents; central planning would tell every driver when to use their car and where to drive; neo-liberalism establishes a traffic regulation which leaves drivers free to choose where to go. Rougier also states that neo-liberalism is a constant adaptation to changing environments or technologies; the traffic regulation cannot be the same in the age of motor vehicles as it was for horse-drawn carriages.

Starting from the premise of a denial of the natural character of the market order,<sup>15</sup> neo-liberal government intervention cannot be reduced to a question of separating the state from the market. The neo-liberal state has the duty to maintain the market order; it refrains from *interfering* in production and exchanges but sanctions attacks against competition. State intervention must constantly re-establish the conditions necessary for the triumph of the most able in fair competition and not protect established privileges or vested interests (Rougier, 1938).

The birthplace of neo-liberalism was the *Colloque Walter Lippmann* (Denord, 2001, 2007; Foucault, 2004), organized by L. Rougier in Paris in 1938 to celebrate the publication of the French translation of Walter Lippmann's *The Good Society* (1937). Participants in the *Colloque* included Austrian economists such as F. von Hayek or L. von Mises, the founders of *Ordoliberalismus* W. Röpke and A. Rüstow, economists R. Marjolin, S. Possony and J. Rueff, but also intellectuals such as R. Aron, M. Polanyi, industrialists such as A. Detoeuf—and W. Lippmann himself. Although friction existed among participants, between partisans of old style liberalism and supporters of a more modern neo-liberalism,<sup>16</sup> the *Colloque* led to an Agenda of Liberalism proposed by Lippmann and approved unanimously. The Agenda stipulates that the legal regime for economic activity must be decided according to pre-established procedures and involve a representative debate. It admits social ends other than the maximal utility of production and stipulates that the state can levy taxes to finance defence, social insurances, education and research. The institutional framework is emphasized through the importance of the regime of contracts and property for market prices. Last, maximal utility is not the ultimate objective of society, and the functioning costs of the price system may be left to society.

The state in neo-liberalism is, therefore, not a weak and inactive state, the 'night watchman' of classical liberalism. On the contrary, it is a state that establishes and preserves, through its constant action (...), a competitive market order

<sup>15</sup> Hayek's spontaneous order is not a natural order.

<sup>16</sup> Denord (2007, p. 121) mentions what Rüstow thought of von Mises and Hayek: 'their place is in a museum, in formaldehyde. People of their sort are responsible for the great crisis of the 20th century.'

which is an artificial human creation and not a product of nature.<sup>17</sup> For Hayek, for instance, a neo-liberal society should be a society where the rules of private law apply to individuals and the state alike. The intervention of the state should be limited to cases where the rules of private law have been breached. Public services in education, health or public infrastructures are possible in the neo-liberal society and even accepted by Hayek (1960) if the state has no monopoly and competes with private providers. Hayek even justifies some degree of compulsory social security, which ‘would involve some coercion, but only coercion to forestall greater coercion of the individual in the interest of others’ (p. 249). This also means that ‘deregulation’, understood as a removal of rules, only makes sense from a liberal point of view of a natural market order. From a neo-liberal point of view, ‘deregulation’ means instituting new rules that would not be substitutes but supports to competition. ‘Deregulation’, a notion often linked to neo-liberalism, is, therefore, a misnomer; regulation may be undertaken following neo-liberal rules.

### 3. The morals of neo-liberalism

The moral content of neo-liberalism should not be overlooked. It was strongly affirmed by its proponents, starting very early on with the participants in the *Colloque Walter Lippmann*. The crisis of liberalism and the economic crisis of the 1930s were also perceived as moral crises. Lippmann’s book, *The Good Society*, is rife with appeals to morals and opens with verses of J. Milton citing nations ‘grown corrupt’ and ‘by their vices brought to servitude’ loving ‘bondage more than liberty’.<sup>18</sup> A participant in the *Colloque Walter Lippmann*, the industrialist and author of several books, A. Detoeuf, considered that the crisis could only be overcome through a moral transformation that would take several generations (Denord, 2007). In short, the neo-liberal society must be a moral society, an aspect that will become obvious in the *Ordoliberalismus* variety, where the competitive market order is conceived of as a coherent set of institutions in conformity with moral values (Nothelle-Wildfeuer, 2009).

#### 3.1 Capitalism and morality

As in the 1930s, recent political discourses of heads of state or prime ministers have, since the financial crisis (. . .), been rife with appeals to ethics and morality. This crisis would partly be a moral crisis of capitalism, a capitalism that would

<sup>17</sup>According to Hayek, the spontaneous order of the market is independent of human design but not of human action.

<sup>18</sup>From *Samson Agonistes*. Lippmann is also the author of *A Preface to Morals*.

have been ‘led astray’, to borrow the words of French Prime Minister Fillon, a capitalism which favours greed over patient investment. To cure this evil, former British Prime Minister Brown suggests: ‘Markets need what they cannot generate themselves; [...] markets need morals.’<sup>19</sup> Interestingly enough, he adds ‘just as I have said that the market needs morals I also say that politics needs morals too’, underlining the fact that, according to him, a similar ethical requirement should be at the centre of both politics and the economy, a point which will be investigated further in the next section.

The issue of the relationship between moral values and capitalism has a dimension that exceeds the limits of the debates that started with the recent financial crisis. It is, of course, a philosophical question as well as one for the history of economic thought or sociology; but it is foremost a political and ideological question: ‘The problem which the phrase “moralisation of capitalism” refers to cannot be treated in moral terms [...] it is far more in terms of a political analysis of the democratic construction of social norms than in ethical terms that one should treat [that] problem’ (Arnsperger, 2005, p. 480, our translation). Pharo (2005) points out that the question itself of whether it is possible to make capitalism more ethical has a political aspect because it is a denial of the radical contestation of capitalism. Instead of dealing with the problems posed by capitalism in a drastic way, i.e. by putting an end to capitalism, considering a moral improvement to capitalism implies accepting the political and moral confines of capitalism.

Indeed, many contemporary comments about capitalism and moral values insist on the fact that capitalism is efficient and sound, provided individual behaviour satisfies some minimal ethical requirement.<sup>20</sup> This is compatible with several types of relationships between moral values and capitalism (Fourcade and Healy, 2007). Capitalism in itself could be morally neutral, and be judged with respect to external ethical values. Therefore, possible morally reprehensible developments would not be the responsibility of capitalism as a system, but that of individuals operating within capitalism. Making capitalism more moral would make no sense; what is required is an increased ethical responsibility by individuals.

A somewhat stronger proposition is that capitalism itself is sometimes the victim of its worst tendencies and that a “bad” capitalism can lead “good” capitalism astray. This interpretation is in line with many recent comments: for the French writer and publicist M. P. Virard, for instance, the excesses observed on markets and deficiencies in the governance of financial institutions are signs of

<sup>19</sup>Gordon Brown, British PM, Address to the Labour Congress, Brighton, September 29, 2009.

<sup>20</sup>‘We will save capitalism [...] by putting morals into it’ (French President N. Sarkozy, speech in Davos, January 27, 2010).

a degenerate capitalism without moral values, dominated by greed and the race for short-term profit, sacrificing the future to the satisfaction of the present, engendering ‘excessive’ inequalities and a distribution of risks contrary to a supposed ethos of capitalism (Virard, 2008a)<sup>21</sup>: in good capitalism, profits reward risk taking; bad capitalism gives high profits and high security to the few, low wages and high risks to the many.

The main fear would, therefore, be that ‘reckless’ capitalism would give a bad name and fuel the opposition to capitalism in general. See, for instance, Virard (2008a): ‘the worst would *obviously* be to throw out the baby with the bath water’ (p. 1, our italics and translation). Also: ‘There is no questioning of capitalism or liberalism here, but more modestly of the variety of capitalism which has become dominant over the last twenty years, which is called ‘financial’ capitalism’ (Virard, 2008b, p. 1). Hence the solution advocated is to revert to a “good” capitalism that would include moral values, self-moderation and economic efficiency.

### 3.2 *The work ethic and the individualistic ideology of capitalism*

A less black-and-white view of this issue could be looked at with the help of Max Weber. In his *Protestant Ethic and the Spirit of Capitalism*, Max Weber (2000), indeed, distinguishes between two types of capitalism. *Rational* capitalism is associated with rational economic action, the use and advancement of technology, the pursuit of the division of labour . . . , i.e. all the characteristics one associates with modern, industrial capitalism. *Irrational* capitalism, on the other hand, is that of the money dealers, slave traders and military adventurers. As I. Kalinowski (2005) stresses, the specificity of rational capitalism is that it associates a logic of accumulation of profits, found also in irrational capitalism, with the exploitation of a particular form of voluntary work, at least formally.

It is well-known that Weber attributes the promotion of a particular work ethic to certain protestant sects. Work is no longer perceived as a malediction for mankind, which is compelled to work in order to survive, but as a way to achieve success and thereby the evidence of individual salvation. An important point is that the *internalization* of the necessity to work derives from the construction of an *individualistic ideology* according to which the maximum exploitation of a person’s own labour is an expression of individual freedom, not of subordination (Kalinowski, 2005). Capitalism cannot be fully rational as long as the worker perceives that this freedom is purely formal. Fully rational capitalism implies that the worker is the active and voluntary promoter of capitalism.

<sup>21</sup>Virard’s text is part of a series of various contributions on the financial crisis written for a think tank of the French “modern” left, Terra Nova.

Rational capitalism is thus based on an individualistic ethic of intensive work. Individualism takes the form of an individualization of responsibilities and duties of the worker who must be accountable for each of his or her actions and submit them to the approval of the community, under the threat of exclusion. But the individualization process does not apply to behaviour; it is a matter of individual accountability, responsibility and duty—there is no question of a freedom to except oneself from group constraints without incurring the cost of such behaviour. Individualization thus takes place within the context of a constraining social structure, and individualization reinforces the social order. The individual belongs to social groups whose cohesion is based on the individualization of the work constraint, and is thus neither isolated nor able to fully personalize his or her life trajectory.

Rational capitalism is, therefore, the coupling of an individual search for profit and a strict work ethic. This moralistic aspect is absent from irrational capitalism, where financial profit carries some social stigma. The introduction of an ethical aspect to the quest for profit makes capitalism socially acceptable. Any value judgement is, of course, absent from Weber's thought.<sup>22</sup> If the most brutal and revolting aspects of labour exploitation have receded, it is for efficiency and not ethical reasons. There is thus no question of progress or moral superiority of rational capitalism over its irrational counterpart, which, incidentally, has not vanished altogether to give way to a modern rational capitalism. Both irrational and rational capitalism coexist. In this perspective, the castigation of illegitimate (financial) profits or the denunciation of the immorality of a handful of hedgers or stock-brokers getting fat at the expense of honest hard-working citizens is another expression of the work ethic that underlies modern capitalism, and any endeavour to moralize the stock exchange<sup>23</sup> is simply an attempt to give an ethical legitimacy to capitalism's domination.

### 3.3 *The ethic of competition*

As mentioned before, the question of the compatibility of moral values and an economic system based on the pursuit of self-interest is not a new one. Liberal thinkers of the eighteenth century had found a solution in the consideration of the harmony of interests. Without the assumption of any teleology, the pursuit of self-interest by individuals is held to have beneficial consequences for society through market exchange. The play of interests will bring about improvement in society, but not in individuals, who, for *Smith (1759)*, for instance, are

<sup>22</sup>Contrary to what *Virard (2008a)*, for instance, seems to think.

<sup>23</sup>For *Weber (1894)*, the aim of economic policy is to be a *Machtmittel* in the economic struggle. Any ethical content it may have is an unnecessary supplement.

assumed to have an *inborn* moral sense. Human beings are considered to be endowed with a natural fellow-feeling, which Smith calls 'sympathy'. The aspiration to improve one's condition based on self-love and the desire to obtain the sympathy of other individuals ensure that humans can live together in a peaceful and orderly way. Self-interest is inseparable from the desire for the sympathy of others. In this sense, moral sentiments are a functional necessity of a capitalist society and are given by nature. In a sense, capitalism is made moral by the natural behaviour of individuals.

This is somehow related to Buchanan's view of the importance of moral values and the role of the state (Buchanan, 1986). Buchanan makes a distinction between moral community, moral order and moral anarchy. A moral community corresponds to a situation where individual members of a group identify with a collective unit rather than regarding themselves as independent. A moral order exists when participants treat each other as moral reciprocals. Moral anarchy exists when individuals do not consider others to belong to their moral community or do not accept the minimal requirements for a moral order. The role of government is inversely proportional to the strength of the moral order. If everybody behaved in accordance with the rules of moral order, the government's role could be limited to the classical liberal ideal of a night-watchman. On the other hand, '[r]epressive governments may emerge as a necessary condition in a society with many moral anarchists' (Buchanan, 1986, p. 111).

In the neo-liberal perspective, competition matters more than exchange (Foucault, 2004). Inherited from social Darwinism is the notion that competition between individuals will improve not only society but also the individual. However, competition between individuals is, for social Darwinists, a law of nature (Sumner, 1914, p. 19) that cannot be abolished, any more than gravitation can (p. 38). Neo-liberals reject the natural character of the market order but adopt the ethos of individual responsibility, i.e. the responsibility to be competitive in a world where the economic conditions are permanently changing. The individual must become a self-entrepreneur, responsible for his or her own existence and integration into the market.

But the moral imperative does not limit itself to the economic behaviour of the individual, it also pervades the political realm.

#### 4. Ethics as a substitute for democracy

A common theme of neo-liberalism is that liberal values, 'liberty' according to Hayek (1960), should be placed above all others, including democratic values. What matters for neo-liberalism is the equality of everyone before the law, not equality in the determination of the law. Majority rule is acceptable to neo-liberalism 'as a method of deciding, but not as an authority for what the decision

ought to be' (Hayek, 1960, pp. 90–91).<sup>24</sup> Majority rule should be limited to determining 'commonly held principles'. It should be clear from what was explained above that the neo-liberal ideology does not call for a weak non-interventionist state, but for a strong regulatory state whose duty is to ensure that liberty prevails over private collective interests. Without such a regulatory intervention, free markets would not stay free for long and fair competition would soon turn unfair. The role of the state is to ensure that profit-seeking activity remains a true competition among individuals, leading to the triumph of the most able, and not the result of protection granted to particular individuals or groups. But the preservation of 'liberty' demands that limits be put to the power of the state. The neo-liberal society must be a society ruled by private law (Hayek), and these laws must be out of democratic power's reach.

#### 4.1 *Elitism and neo-liberalism*

Whereas the classical liberalism non-interventionist stance is relatively easy to apprehend and—at least in principle—to implement, the strong but limited interventionism of neo-liberalism is a considerably more complex concept. The problem has some similarities with one already identified by Machiavelli. In its action towards the realization of general interest, political power must not be limited by moral considerations for fear of not being able to exploit the opportunities of the circumstances.<sup>25</sup> *Virtù* cannot be slave to *fortuna*.<sup>26</sup> Yet, nothing guarantees that a Prince released from moral duties will act in a virtuous way. Counting on the Prince's wisdom is hopeless since, for Machiavelli, the multitude is wiser and makes less and less serious mistakes than the Prince.<sup>27</sup> The 'solution', if it exists and if it is possible to implement, which Machiavelli certainly did not consider certain or even probable, lies in the institutions. The history of Rome shows that the Republic can escape from ruin thanks to its 'good' institutions, its 'good laws'.

To a *limited* extent, some aspects of neo-liberal thought express views that could be seen as not so far removed from Machiavelli's 'solution'. The *Public Choice* school,<sup>28</sup> for instance, does not count on the virtue of civil servants or

<sup>24</sup>it is necessary for people to come to an agreement as to how necessary tasks are to be performed; but it is not obvious that this same majority must also be entitled to determine what is competent to do' (Hayek, 1960, p. 93).

<sup>25</sup>Macchiavelli, *Le Prince* XV, in Machiavelli (1952, pp. 335–336).

<sup>26</sup>Macchiavelli, *Le Prince* XVIII and XXV, in Machiavelli (1952, pp. 342–343, 364–365).

<sup>27</sup>Macchiavelli, *Discours sur la première décade de Tite-Live*, Livre premier, LVIII and LIX. In Machiavelli (1952, pp. 501–508).

<sup>28</sup>Public choice is diverse and some contributors, such as Buchanan, are sometimes closer to libertarianism than to neo-liberalism.

politicians to implement a policy oriented towards the general interest. The reference anthropology of *Public Choice* is the self-interested individual, with narrowly defined interests, and politicians are as much rational economic individuals as anybody else in society (Downs, 1957). The only discipline that can guarantee that the general interest escapes the rent-creating activism of politicians is that of competition. To be preserved, the most fundamental rules of economic competition (and public finance orthodoxy) must be shielded from bureaucrats and politicians and acquire the status of constitutional rules, i.e. rules that cannot be changed easily and are beyond the reach of politicians or bureaucrats tempted to please the foolish masses.

However, the similarities between neo-liberalism and Machiavelli must not be exaggerated. In the neo-liberal tradition, the people are viewed through elitist lenses: they are ignorant and capricious and by no means sovereign. The idea that a competent elite should decide and be spared the demands for protection that a population of losers is bound to express runs through the writings of the whole neo-liberal family: ‘The world consists of two classes—the educated and the ignorant—and it is essential for progress that the former should be allowed to dominate the latter’ (Fisher, 1907, p. 20). This elitist concept of political power was present in Rougier (1938), where constitutional reforms are advocated so as to protect the choice of a ruling elite dedicated to the defence of the common rules of individual competition from ‘acting minorities’ and ‘lunatic majorities’. It is considered the duty of the elite to teach the masses respect for competence. This neo-Platonist conception of government is also found in Lippmann’s works, where the contradiction between the necessity to preserve a system of fair rules of competition, on the one hand, and a principle of popular sovereignty over the rules of the game, on the other, is emphasized.<sup>29</sup> The “solutions” proposed by the various neo-liberal schools of thought are based on a combination of enlightened elites and constitutional rules resulting in a limit to democracy. Following the elitism of Schumpeter, the masses could at most choose their rulers, but they should let them rule and not interfere in their decisions. One finds expressions of this fear of the masses dictating their will to the elite in neo-conservative literature too, in Crozier *et al.* (1975), for instance.<sup>30</sup> The egalitarian demands and the active political participation of the poor would imply that “bad” decisions would be taken. In order for “good” decisions to prevail, a large number of decisions should be out of the reach of democratic control and left to experts (Mouffe, 1986). This limit to popular sovereignty is a major theme of neo-liberal thought.

<sup>29</sup>As Rosanvallon (2008, p. 80) points it out, Lippmann in his *Preface to Politics* (1913) was part of a larger US movement that aimed to bring expertise to public administration.

<sup>30</sup>See Halimi (2004).

The role of elites is again at the centre of current preoccupations regarding the “re-foundation” of capitalism: ‘it is the duty of the ruling economic and political elite, to revive with the essence of capitalism, by betting on a collective re-foundation and a new ethic based not on the law of profit maximization but on sustainable growth and innovation’ (Virard, 2008a, p. 1). Indeed, the problem raised by Machiavelli remains present. Preventing the poor and rent-seekers from having access to decision-making processes will not be enough to ensure that the ruling elite can conform to the requirements of free and fair competition. If constitutional rules should suffice to insulate the elite from “populist” temptations, it remains the duty of the individual decision-taker to conform to a certain ethic. In the neo-liberal ideology, ethical requirements for elite members may act as a substitute to the people’s legitimacy.

#### 4.2 *An elitist ‘democracy’*

On the political right, the calls to limit popular sovereignty echo the traditional reactionary positions of the nineteenth century against democracy and the tyranny of the majority. As Canfora (2006) shows,<sup>31</sup> the conservative right has constantly fought against the institution of universal suffrage in Europe and the liberal right has tried to limit its scope and consequences. Things are more subtle and more interesting when one considers the view of politics promoted by the “modern” left, i.e. to the left of neo-liberalism. A recent book by P. Rosanvallon (2008) describes the basic principles of what could be considered a new ethical mode of governance. Individualism is at the root of this ‘new’ conception of political legitimacy. Rosanvallon starts with the observation that democratic legitimacy is based on the consideration of the decisions approved by a majority. But according to Rosanvallon, the interest of the many differs from the interest of the majority. More precisely, the majoritarian approach is considered to be based on the idea that a homogeneous population exists, whereas the people are now ‘a succession of singular histories, a sum of specific situations’ (Rosanvallon, 2008, p. 14)<sup>32</sup>; the ‘modern’ approach he adopts, on the other hand, considers a population of individuals having specific characteristics and specific expectations.

Based on this premise, majority rule can only be imperfect, since it will lead to the neglect of the minorities’ aspirations. It is worth noting that the ‘solution’ to this problem is never envisaged in terms of political institutions. Comparative political scientists, Lijphart (1999) for instance, distinguish between several types of democracy, according to the strictness of the majoritarian rule and the

<sup>31</sup>See Canfora (2006), chapters V and VI, in particular.

<sup>32</sup>Our translation, as for all quotes of Rosanvallon (2008).

more or less encompassing character of the dominant political compromise. But this is not taken into consideration in the perspective drawn by Rosanvallon since even the most “consensual” type of democracy deals with *organized* interests and neglects the individual dimension. It is thus impossible for the traditional, i.e. vote-based, modes of democratic activity to take into consideration the diversity of *individual* aspirations and go beyond the opposition between organized group interests, i.e. partisan interests.

According to Rosanvallon, majority rule must, therefore, be supplemented by other mechanisms and institutions which will distance themselves from partisan interests (what Rosanvallon calls the ‘legitimacy of impartiality’), take into account the diversity of expressions of the common good (‘legitimacy of reflexivity’) and acknowledge all expressions of singularity (‘legitimacy of proximity’).

These extra legitimacies call for new institutions. The legitimacy of impartiality is to be found in so-called independent, i.e. not submitted to political control, regulatory and control authorities (for competition, financial markets. . .) whose number has increased tremendously in most developed economies over the past two decades, following the waves of privatization and public sector retrenchment of the 1980s. The legitimacy of reflexivity supports more traditional institutions such as constitutional courts, whose role would be to safeguard the fundamental rights and values. The legitimacy of proximity does not imply new institutions apparently; it is another expression of the ‘good’ and ‘compassion’ which ensures that individuals are treated with ‘care’ and ‘respect’.

These propositions are based on the idea that democracy can and must go beyond the clash of interests and pursue a ‘general interest’ independent of and above partisan interests. Rosanvallon is conscious of the fact that it is impossible to think of politics as being totally independent from partisan opposition, but argues that it would be dangerous to transpose partisan opposition to every decision of public policy for the reasons mentioned above, i.e. the neglect of minorities. The ‘modern’ forms of democracy would have to make it impossible for a part of the population, even if it is a majority, to appropriate institutions. As a consequence, the pursuit of the general interest ‘naturally’ calls for institutions which are as independent from partisan oppositions as possible. Rosanvallon takes the example of public service as the incarnation of a technically competent and impartial body, but considers that it has lost its legitimacy following the attacks of the neo-liberals against the state since the 1980s.

The new spaces for democracy would, therefore, be new bodies, accountable, independent and impartial authorities, staffed with competent individuals whose main preoccupation is the pursuit of the common good, the search of consensus, subject to tests and controls.

This view of a ‘moral democracy’ as the government of competence and ethics differing from the domination of the majority or the conflict of organized

interests is reminiscent of the neo-liberal view set out above, with less emphasis on the virtue of competition and a more moralistic content, as indicated by the focus on admirable qualities such as compassion. The elitist commitment is broadly similar: the masses are deemed incapable of going beyond simplistic oppositions, whereas enlightened elites could reach a consensus through deliberation. Rosanvallon opposes partisan opposition to the collegial character of independent authorities, where the non-public character of debates allows participants not to be ‘frozen in their role’. The limited size of these institutions in any case limits individuals to a ‘thoughtful expression’ characterized by the search for a common aim (Rosanvallon, 2008, p. 148).

The contrast between partisan politics and reasoned discussion between impartial experts is at the core of Rosanvallon’s view of ‘democracy’, in which consensus is preferable to ‘division’: ‘On the one side the *subjective* partisan world of the electoral-representative sphere, on the other the *objective* world of the institutions of indirect democracy’ (Rosanvallon, 2008, p. 28; our emphasis). There are two logics in a democracy, that of the majority, where the immediately dominant opinion prevails, and the logic of reasoning which imposes a constraint of justification. The requisites for a “true” deliberation to take place are very high in terms of information processing and depth of thought. It is hence inconceivable that ‘unsophisticated’ partisan conflicts should be allowed to get in the way of a consensus, let alone the ‘cacophony of opinions’ entering such a forum (Rosanvallon, 2008, p. 232). Only small groups can lead to innovative deliberations.

For Rosanvallon, democracy cannot exist without the formation of a ‘common world’, recognition of ‘shared values that make it possible for conflicts not to go to the extremes of civil war’.<sup>33</sup> A long tradition of political thought, which has its roots in Machiavelli’s works and extends to the contributions of neo-pluralists, would, conversely, stress that it is precisely the political influence of contradictory interests which enables societies to escape from the dangers of tyranny. The play of heterogeneous political pressures resulting from social stratification is what permits democracy to be stabilized. For Machiavelli, freedom and prosperity of the Republic do not result from an impossible consensus between the multitude and the aristocracy but from a balance of power between the two opposing sides.<sup>34</sup> The “good” constitutional laws are the product of conflict, not the quest for an improbable consensus. This idea could, of course, apply to

<sup>33</sup>This importance of shared values and the necessity of a ‘common world’ is also characteristic of the approach of the ‘*économie des conventions*’ (Eymard-Duvernay *et al.*, 2003). See Amable and Palomarini (2005) for a critique.

<sup>34</sup>Machiavelli, *Discours sur la première décade de Tite-Live*, Livre premier, IV. In Machiavelli (1952, p. 390).

democracies, and it is significant that Rosanvallon only briefly mentions the contributions of the pluralists in a footnote.

If one drops the fiction of the existence of a general interest above particular interests (Amable and Palombarini, 2005), the basis upon which the moral consensus underlying democracy could be built appears even more elusive. Institutions are the temporary solution to a conflict that is irreducible to a difference of judgement on what the most moral or the most efficient solution is, unless one wants to deny the strictly political nature of this conflict, which is probably what is at stake in the debates mentioned above. By pretending that democracy must go beyond opposing interests, Rosanvallon reintroduces a consensual element that is incompatible with a serious consideration of the irreducibility of heterogeneous interests to a fictitious general interest.

Like the *économie des conventions*, Rosanvallon does not ignore the diversity of interests (and/or values) and proposes to have consensus emerge out of ‘deliberation’. The criticisms levelled at the *économie des conventions* on this precise point by Amable and Palombarini (2005, Ch. 3) could be repeated here: a neglect of the social structural context within which this deliberation is supposed to take place, the underestimation of the symbolic violence carried by a seemingly rational dialogue (Bourdieu, 1997) . . . . Rosanvallon, however, adds an elitist element which is notably absent from the *économie des conventions*’s perspective, where, conversely, the capacity for moral judgement is deemed to apply to every agent. For Rosanvallon, deliberations are not supposed to be open to every individual (cf. the dangers of direct democracy), a position which has at least the merit of rendering the conditions of the application of symbolic violence far more explicit.

## 5. Neo-liberalism and the welfare state

### 5.1 *No rights without responsibilities*

The consequences of the morals and politics of neo-liberalism are particularly clear in the area of social protection. However, considering the problem in the simplistic terms of the mainly North American debate about the consequences of the welfare state for the morality of individual behaviour judged according to conservative or traditional values would be misleading or limited. For instance, there is what looks like a “puzzle” as observed by Brown (2007) and Dardot and Laval (2009). Neo-conservatism has imposed itself as the reference ideology of the new right in the USA, although its high moralizing content seems incompatible with the amoral character of the neo-liberal rationality that underlies the economic doctrine of the new right. According to Brown, an individualistic and market-oriented ideal can be reconciled with neo-conservatism precisely because the latter channels and domesticates the individual freedom at the root of the former.

For [Dardot and Laval \(2009\)](#), the convergence between conservative ethics and normative neo-liberalism is the articulation between the family as the ‘cellular form’ of the moralization of the child and the enterprise as the ‘cellular form’ of the moralization of the individual.

But religious, family values-oriented neo-conservatism is a peculiarity of US society, which has almost no equivalent on the European continent, for instance, where expressions of morality are less focused on the family. Since the diffusion of neo-liberalism is a worldwide phenomenon, the articulation between a certain moral dimension and the expression of freedom through competition between individuals that characterizes neo-liberalism must be analysed beyond the traditional moral values of neo-conservatism and take into account more general expressions of morals. This is all the more necessary as principles of neo-liberalism are not limited to the conservative right, but have been embraced by the so-called “modern left”, whose dominant characteristic is to have a non-traditional attitude towards some moral issues.

Social policy is one of the most interesting fields of application of the moral values attached to neo-liberalism. The traditional neo-liberal critique of the welfare state is based on the affirmation of the primacy of individual responsibility. The responsibility of the individual vis-à-vis society is to be able to find means of self-sustenance and not to be “assisted” by society. This does not imply an absence of the welfare state, since there will always be individuals who cannot by themselves provide for their own sustenance. Even [Hayek \(1960\)](#) considers that the state could play a role in social *insurance* under conditions of free competition with private insurance providers. A problem arises when a unified compulsory state-controlled organization takes care of social insurance.

Therefore, contrary to naïve views, neo-liberalism is not simply “you’re on your own”.<sup>35</sup> However, redistribution is the main problem; it transforms what genuine social insurance should be, ‘a majority of givers who determine what should be given to the unfortunate few’ into ‘a majority of takers who decide what they will take from a wealthy minority’ ([Hayek, 1960](#)). This, according to Hayek, is merely a new method of ‘pursuing the old aims of socialism’. Neo-liberal social protection should not be redistributive<sup>36</sup> and should be individualized in

<sup>35</sup>See, for instance, [Bernstein \(2006\)](#) for the opposition between YOYO (you’re on your own) and WITT (we’re in this together)!

<sup>36</sup>It is essential that we become clearly aware of the line that separates a state of affairs in which the community accepts the duty of preventing destitution and of providing a minimum level of welfare from that in which it assumes the power to determine the “just” position of everybody and allocates to each what it thinks it deserves. Freedom is critically threatened when the government is given exclusive powers to provide certain services—powers which, in order to achieve its purpose it must use for the discretionary coercion of individuals’ [Hayek \(1960, p. 252\)](#).

the sense that aid should be granted in exchange for something. The idea of negative taxation (endorsed by Hayek and Friedman for instance) satisfies this *quid pro quo* condition and ensures that working is always more profitable than not working. This has led to the redefinition of welfare as workfare: putting welfare recipients to work.

This theme of social assistance in exchange for something from the individual has been revisited by the so-called “modern left” and led to a critique of the “passive welfare state” as well as an attempt to “justify” a certain degree of inequality in society. The “Third Way” critique of the social democratic conception of welfare policy by the various strands of the “modern left” (Giddens, 1994) is not substantially different from the standard neo-liberal critique and insists on the moral content of the “active” welfare state. According to the neo-liberal view, the intervention of the bureaucratic state is detrimental to the virtue of the civil society. Applied to the welfare state, “assistance” is held to annihilate the poor’s self-esteem, maintain them in a dependent state and ultimately prevent them from escaping from poverty. Rather than trying to “correct” the market mechanisms, one should, of course, always prefer market solutions which are not only economically but also morally superior. By removing the individual’s sense of responsibility, *the welfare state* discourages welfare recipients from improving their own situation by looking for a job, investing in human capital.

A traditional argument of the conservative right is that social benefits lessen the costs of “immoral” behaviour, e.g. the dissolution of family links (single mothers...). The “modern left” is far less conservative in its judgements and, in fact, more faithful to the individualistic nature of neo-liberalism. In accord with what various modernization theories express, it sees the individual as faced with an ever increasing set of choices and opportunities. The duty of the (welfare) state is to enable this individual to exploit these opportunities. This is akin to what Rosanvallon (2008) describes as the ‘society of particularity’. The “old” welfare state was simply a mechanism for distributing benefits to certain categories of the population according to their status (unemployed, retired, invalid, ...). The objective of the new welfare state would be to give to each individual the means adapted to his or her own situation in order to solve specific problems. Rosanvallon takes the example of the long-term unemployed, considered by the “old” welfare state as a homogenous population to which standard types of benefits and training should be offered, whereas the new-style welfare state would see as many different situations as there are individuals concerned. The welfare state can no longer be a ‘static’ protection system but must help individuals to ‘dynamically’ manage their life.<sup>37</sup> Yet this new role of the

<sup>37</sup>The opposition between terms such as ‘static’ and ‘dynamic’ or ‘mobile’ and ‘immobile’ is a classic of the construction of a dominant ideology (Boltanski and Bourdieu, 1976).

welfare state calls for a new type of relationship between the individual and the state and has as a ‘major consequence’ that the exercise of a right becomes inseparable from an appreciation of behaviour.

The idea that there are no (social) rights without responsibilities is based on an external monitoring of the benefit recipients, with the necessary sanctions, as well as internalized constraints in the form of an ethic of reciprocity between the individual and the state or rather between the individual and the ‘community’ in the Third Way view (Giddens, 1994). At the centre of the representation system that structures this view is the notion of ‘supply-side citizenship’ (Plant, 1998),<sup>38</sup> according to which citizenship is an achievement, not a status, and that participation in the labour market is the normal way to qualify as a citizen. The realization of the individual’s abilities can principally be achieved through paid employment; on a slightly more positive side, the labour market is also regarded as the place where individual freedom can express itself.<sup>39</sup>

An active status of the individual is necessary for self-actualization; this implies that one should not be a passive wage earner let alone a passive welfare benefit *profiteur*, but an active individual eager to optimally manage his or her portfolio of skills to find valuable employment, as in ‘the Britain that works not just by self-interest but by self-discipline, self-improvement and self-reliance’ (Gordon Brown, Address to the Labour Congress, Brighton, September 29, 2009). It is also the responsibility of the individual to assume the risks which he or she is exposed to: instead of ‘passively’ waiting for the welfare system to provide the individual with means of existence, an active attitude towards risk hedging is expected. The active individual will thus be responsible for investing in human and social capital as well as in health in order to improve his or her future chances of employability.

Social policy thus envisaged is, therefore, a “fair deal”. It is up to the state to implement policies that are such that the individual can enter economic competition without handicaps. This implies removing a certain number of protections, those that establish a division between ‘insiders’ and ‘outsiders’, for instance. Having “levelled the playing field”, the state is not legitimized to redistribute in order to equalize the effective situations of individuals. The whole concept of “equality of opportunity” is thought of as a *substitute* for the equality of

<sup>38</sup>[...] in a global market there cannot be a rich and growing form of end state or status citizenship; that is to say, a bundle of goods which are due to a citizen as a right outside the market. Rather, supply side citizenship stresses that citizenship is an *achievement*, not a *status*, it is available through participating in the labour market and reaping the rewards that accrue from that, and investment in skills is part of equal opportunity as a right of citizenship in this new economic context’ (...), (Plant, 1998).

<sup>39</sup>The situation of women is analysed in Streeck (2009).

outcomes, not a complement.<sup>40</sup> Inequalities of situations are under such conditions expected to reflect the differences in merit and thus be justified with reference to the objective of individual autonomy, a major value in this perspective. The loser in the economic competition has had a fair chance; he or she is expected to be a good sport and gracefully accept defeat.<sup>41</sup>

The ethical content of such a policy is, therefore, central: an ethos of merit, effort and self-discipline that *justifies* inequalities of situations. The political dimension of the reference to principles of justice and individual merit is self-evident. The reference to justice and ethics makes it possible to reduce the political struggle to a debate about what is fair and unfair. If the competition is fair, so are its outcomes. The delegitimizing of collective action towards redistribution is a political resource to be used in the construction of the cognitive frame within which the political struggle will take place. The emphasis on the individual dimension of the social question is instrumental in making the emergence and recognition of a community of interests among the losers of the economic competition more difficult and contributes to keeping them in their position. Likewise, a social policy that only deals with individuals and not groups makes collective action more difficult. The situation is not symmetric for the “winners”. Similarly to what Max Weber analysed in the *Protestant Ethic and the Spirit of Capitalism*, the success of some individuals reinforces the stability of structures that value individual success and delegitimate aspirations to redistribution.

### 5.2 *Neo-liberalism and left social policy: the RMI*

The consideration of neo-liberalism in lieu of simplistic notions such as “market fundamentalism” makes it possible to analyse the neo-liberal content of the ideology behind some social welfare measures implemented by left governments. In 1988, a left-wing government led by Michel Rocard<sup>42</sup> introduced a new form

<sup>40</sup>However, individuals seem to see both types of equalities as complementary and not substitutable for one another. See Amable (2009) for an empirical analysis of individuals’ preferences for the welfare state.

<sup>41</sup>Again, such an equality of opportunity is impossible to achieve in practice, but this is of secondary importance. As an objective, equality of opportunity is instrumental in redefining the aims of public policy away from redistribution and towards areas such as education or “active” labour market policies.

<sup>42</sup>Michel Rocard is the figurehead of the so-called French “second left”, i.e. a non-Marxist left, opposed to state intervention and more favourable to social bargaining than to the institutions of formal laws regulating the economy and social relations. Interestingly enough, Rocard presented in 1984 his view of state intervention in a way identical to Louis Rougier’s metaphor for neo-liberalism: ‘the state has the responsibility to regulate the exchange and circulation of products, to determine the framework of competition as carefully as for the circulation of motor vehicles, which does not deprive the producer

of social welfare for individuals over 25 without income and who had no rights to unemployment benefits: the *Revenu Minimum d'Insertion* (RMI).<sup>43</sup> In addition to a minimum income, the RMI gave certain rights to the individuals concerned<sup>44</sup> but also entailed some obligations. To this effect, the beneficiary of the RMI had to sign a “contract of insertion”.

As noted by Rosanvallon (2000), the RMI and workfare have three aspects in common: ‘the relationship between the economic and the social’; ‘the nature of social rights’; ‘the definition of the “subjects” of the social’. In both cases, social rights are reinterpreted as a contract articulating rights and obligations, particularly obligations regarding the efforts of the beneficiary to find employment. As Rosanvallon (2000, p. 87) puts it, ‘work and the welfare state now overlap’. The contract between the RMI recipient and the ‘collective’ is that the former must promise to participate in activities of inclusion that the latter promises to offer.

What Rosanvallon (2000) describes is workfare dressed up as social and moral improvement: ‘inclusion’ (in the labour market) would be recognized as an individual right and thus define the obligations of society towards the individual; the right to inclusion would be a social right ‘enriched’ with a moral imperative: the ‘social usefulness’ of an ‘active citizen’ who is not just someone who needs help. Social participation is understood here as participation in the labour market and economic aid is subordinated to this participation. On the other hand, society’s obligation towards the individual is to facilitate inclusion in the labour market, which may take the form of labour-market ‘deregulating’ policies or more accurately lowering employment protection and workers’ collective rights in order to abolish the distinction between ‘outsiders’ and ‘insiders’. The complementarity of this ideology with other aspects of neo-liberal capitalism is thus self-evident. The fact that RMI in practice was different from the idealized view presented by Rosanvallon is immaterial. The logic behind the implementation of the RMI, and even more that of its successor the RSA, is a *quid pro quo* logic that comes from a neo-liberal view of social protection.

## 6. Conclusion

Neo-liberalism was invented as an attempt to provide answers to the contradictions and limits of capitalism as they became blatant between the end of the nineteenth century and the 1930s crisis: free competition becoming monopolistic, the

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of its basic liberty just as the motorist stays free to choose his itineraries and destinations. This is my socialism’ (Garnier and Janover, 1986, p. 44, cited in Denord, 2007, p. 329, our translation).

<sup>43</sup>The RMI was suppressed by the right-wing government of F. Fillon in 2008 and replaced by a new form of welfare, the RSA, with somewhat strengthened workfare content.

<sup>44</sup>In particular, rights to social protection and, after 1999, the CMU (*Couverture Médicale Universelle*), as voted for by the left-wing government led by L. Jospin, which extended the benefits of social protection to individuals who had no such rights (Palier, 2008).

“*doux commerce*” leading to imperialist confrontations, the Russian revolution and the “threat” of socialism. . . . The answer proposed by leading liberal intellectuals was not to revert to classical liberalism and even less to go back to *laissez-faire* but to develop an alternative to both *laissez-faire* and collectivism. These ideas have become influential to the point of becoming the new ideology of capitalism. Many contributions have emphasized the patient work undertaken by think tanks and neo-liberal societies to diffuse this ideology and gain influence among business and political circles (Halimi, 2004). A few words can be said on the social conditions for the success of such an ideology. There is a certain potential for liberation of the individual from existing “traditional” dependence in the neo-liberal ideology. This could appeal to members of certain social groups. The ethics of self-reliance can be used as a resource in a political struggle to fight discrimination or to gain economic independence. Therefore, the neo-liberal ideology may, at least in part, be instrumental in opposing gender-based or ethnic discrimination, for instance, and thus gain some social support. Similarly, the logic of ‘fair’ competition and the delegitimation of protection and established positions is a legitimacy resource available to new entrants in a given field or market. Therefore, new entrants will be ‘naturally’ inclined to adopt a system of values that promotes competition and the constant questioning of established positions, whereas incumbents will be more prone to emphasize the dangers of ‘excessive’ competition. Individuals who expect upward social mobility will also find in the ideology of competition the values that legitimate their social trajectory, whereas those who expect to go down the social ladder will more likely oppose such values. In a similar fashion, net contributors to the social protection system or redistribution can be expected to adopt an ideology that underlines the merits of self-reliance.

The idea that neo-liberal capitalism is amoral or even immoral and that it is adverse to regulation is erroneous. The current debates on the financial and economic crisis that focus on the dangers of “market fundamentalism” and the lack of morals in markets lead to the conclusion that market regulation and morals could save capitalism from its worst tendencies. Unknowingly, most participants in these discussions re-enact the debates of the 1930s that led to the invention of neo-liberalism. Are those who ignore the lessons of the history of economic thought condemned to reinvent neo-liberalism?

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