

# Neoliberalism's World Order

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Since its inception, neoliberalism has sought not to demolish the state, but to create an international order strong enough to override democracy in the service of private property.

Adam Tooze Summer 2018



Pascal Lamy, former director-general of the World Trade Organization, leads a meeting of WTO ministers, July 2008 (© WTO / Flickr)

*Globalists: The End of Empire and the Birth of Neoliberalism*

by Quinn Slobodian

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Neoliberalism has many histories. Milton Friedman, the Chicago school, Pinochet, Thatcher and Reagan's market revolution, IMF structural adjustment, and shock-therapy transition programs for the post-Communist states are all fixtures in the narrative of the neoliberal turn. If we wind the clock back to the aftermath of the Second World War, we can see precursors in the ordoliberalism of West Germany and the Mont Pèlerin gathering of 1947. If asked to name a founding moment, one might point to the Colloque Walter Lippmann of August 1938 in Paris. Those with a particular interest in the history of economic thought might go one step further back to the "socialist calculation debate" launched by the Austrian economist Ludwig von Mises in 1920, in which he articulated a fundamental critique of the logical possibility of socialist central planning.

All this is familiar to scholars. *Globalists*, from Wellesley historian Quinn Slobodian, is important because it provides a new frame for the history of this movement. For Slobodian, the earliest and most authentic brand of neoliberalism was from the outset

defined by its preoccupation with the question of world economic integration and disintegration. In the 1970s, neoliberalism's proponents would help unleash the wave of globalization that has swept the world. But, as Slobodian shows, their advocacy for free trade and the liberalization of capital movement goes back to neoliberalism's founding moments in the wake of the First World War. The movement was born as a passionately conservative reaction to a post-imperial moment—not in the 1950s and '60s but amidst the ruins of the Habsburg empire. Torn apart by self-determination, the collapse of the Austro-Hungarian Dual Monarchy in 1918 was not just the failure of a complex multinational polity. In the eyes of von Mises and his ideological allies, it threw into question the order of private property. It was the First World War and the Great Depression that birthed democratic nation-states, which no longer merely shielded private property but claimed control over a national economy conceived of as a resource to be supervised by the state. Private property that had once been secured by a remote but even-handed imperial sovereign was now at the mercy of national democracy.

Faced with this shocking transformation, neoliberals set out not to demolish the state but to create an international order strong enough to contain the dangerous forces of democracy and encase the private economy in its own autonomous sphere. Before they gathered at Mont Pèlerin, von Mises hosted the original meetings of the neoliberals in the Vienna Chamber of Commerce, where he and his colleagues called for the rolling back of Austrian socialism. They did not think that fascism offered a long-term solution, but, given the threat of revolution, they welcomed Mussolini and the Blackshirts. As von Mises remarked in 1927, fascism "has, for the moment, saved European civilization." Even in the late 1930s, Wilhelm Röpke, another leading neoliberal, would unabashedly declare that his desire for a strong state made him more "fascist" than many of his readers understood. We should not take this as a light-hearted quip.

The neoliberals were lobbyists for capital. But they were never only that. Working alongside von Mises, the young Friedrich Hayek and Gottfried Haberler were employed in empirical economic research. And it was the networks of interwar business-cycle research that drew key figures from Vienna to Geneva, then home to the League of Nations. The Swiss idyll is the site for much of the rest of Slobodian's narrative, giving its name to the brand of globalist neoliberalism he labels the "Geneva school." In the 1930s the League of Nations was a gathering place for economic expertise from across the world. But as Slobodian shows, what marked the Geneva school of neoliberalism was a collective intellectual crisis. In the face of the Great Depression, they not only came to doubt the predictive power of business-cycle research, they came to see the very act of enumerating and counting "the economy" as itself a threat to the order of private property. It was when you conceived of the economy as an object, whether for purposes of scientific investigation or policy intervention, that you opened the door to redistributive, democratic economic policy. Following their own edicts, after crushing the labor movement, the next line of defense of private property was therefore to declare the economy unknowable. For the Austrian neoliberals, this called for reinvention. They stopped doing economics and remade themselves as theorists of law and society.

Evidently, this put them profoundly at odds with the technocratic spirit of the midcentury moment. The most famous expression of this alienation was Hayek's *The Road to Serfdom* (1944), which takes up surprisingly little space in Slobodian's account. In part, this is no doubt due to the focus of Hayek's attack on European totalitarianism and the Beveridge plan for Britain's postwar welfare state. Slobodian's Geneva School neoliberals, by contrast, focused their attention on global political economy. In the aftermath of the Second World War, they struggled to defend capital mobility against the restrictions of Bretton Woods. In the 1960s they inveighed against the postcolonial order, rallied to Apartheid, and did their best to undercut the visions of a fairer and more regulated New International Economic Order pushed by the global South. The idea of a government-regulated system of exchange dominated by commodity producers was anathema to neoliberalism.

Slobodian gives us not only a new history of neoliberalism but a far more diverse image of global policy debates after 1945. Even in the heyday of Keynesianism and developmentalist policies, the neoliberals were never silenced. Neoliberalism was always part of the conversation, though it was not the secret blueprint of twentieth-century history. As Slobodian observes, from the 1930s, many neoliberal ideas were deliberately utopian. They weren't aiming to change policy, at least not right away. Their interventions were polemics designed to break open the debate.



Ludwig von Mises and Gottfried Haberler were among those to attend a 1936 conference on business cycle research in Vienna

It was in the 1980s that the neoliberals' long march through the institutions of global economic governance finally carried the day. In this Slobodian agrees with the more familiar narrative. But rather than concentrating on national programs of monetarism, privatization, and union-busting, Slobodian focuses on the transnational dimension: the

EU and the WTO. The protagonists of his story are people you have never heard of, second-generation students of the original Austro-German founders, trained as lawyers, not economists—men like Ernst-Joachim Mestmäker and Ernst-Ulrich Petersmann, who shaped the agenda in Brussels and helped to steer global trade policy.

It is a measure of the success of this fascinating, innovative history that it forces the question: after Slobodian's reinterpretation, where does the critique of neoliberalism stand?

First and foremost, Slobodian has underlined the profound conservatism of the first generation of neoliberals and their fundamental hostility to democracy. What he has exposed, furthermore, is their deep commitment to empire as a restraint on the nation state. Notably, in the case of Wilhelm Röpke, this was reinforced by deep-seated anti-black racism. Throughout the 1960s Röpke was active on behalf of South Africa and Rhodesia in defense of what he saw as the last bastions of white civilization in the developing world. As late as the 1980s, members of the Mont Pèlerin Society argued that the white minority in South Africa could best be defended by weighting the voting system by the proportion of taxes paid. If this was liberalism it was not so much neo- as paleo-.

If racial hierarchy was one of the foundations of neoliberalism's imagined global order, the other key constraint on the nation-state was the free flow of the factors of production. This is what made the restoration of capital mobility in the 1980s such a triumph. Following in the footsteps of the legal scholar and historian Samuel Moyn, one might remark that it was not by accident that the advent of radical capital mobility coincided with the advent of universal human rights. Both curtailed the sovereignty of nation states. Slobodian traces that intellectual and political association back to the 1940s, when Geneva school economists formulated the argument that an essential pillar of liberal freedom was the right of the wealthy to move their money across borders unimpeded by national government regulation. What they demanded, Slobodian quips, was the human right to capital flight.

That irony curdles somewhat when we recall the historical context. After 1933, the human right to capital flight was no neoliberal joke. Money was the binding constraint both on the ability of German and Austrian Jews to leave the Third Reich and on their being accepted by potential countries of refuge. It may be typical of neoliberal hyperbole that defenders of capital mobility accused the U.S. government of resorting to "Gestapo" methods in tracking down the wealth of "enemy aliens." But it was no coincidence that Reinhard Heydrich, future head of the Gestapo and the architect of the Holocaust, made his leap to prominence in the Nazi regime in 1936 as head of the foreign-exchange investigation division of Hermann Göring's Four Year Plan. The neoliberals are onto something in insisting on the interconnections between the movements of money and people. Certainly restricting the former is a sure way to restrict the latter, especially in a world of national welfare where the right to entry depends on proving that you need neither social assistance nor a job.

It was these entanglements of unfreedom that the *Road to Serfdom* dissected so effectively, which brings us to the ticklish question of its author. By the 1990s it can hardly be denied that neoliberalism was the dominant mode of policy in the EU, OECD, GATT, and WTO. But what kind of neoliberalism was it, and what has Hayek got to do with it? Slobodian works hard in his concluding chapter on the GATT and the WTO in the 1980s and 1990s to bring us back to the central Hayekian theme of the impossibility of representing the world economy as a whole. In the case of key personnel at the WTO, he can show direct neoliberal lineage. As a matter of intellectual biography this makes sense. But as Slobodian knows only too well, there is an obvious counterargument to any claim that such organizations represent Hayekianism in action—Hayek’s profound skepticism toward anything that smacks of conventional economic policy, growthmanship, or, indeed, the very idea of the economy as such. This does not stop practical neoliberals from doing their stuff, any more than his disciples are bound to either the letter or the spirit of Keynes’s *General Theory of Employment*. Much of the political success of neoliberalism depends on the willingness of its practitioners to discard key ideas of its purist thinkers. What remains in real, “actually existing” neoliberalism is precisely its relentless emphasis on growth and competitiveness as the measure of all things.

The result as far as Hayek is concerned is profoundly ironic. After 1989 he was feted as the godfather of the global capitalist revival. No doubt, as a lifelong anti-Communist, he took satisfaction at the end of the Soviet regime. But for Hayek, the Cold War had never been more than a “silly competition” in which both sides took a crude quantitative measure of the economy as their benchmark of success and offered their citizens essentially the same promises. Turbo capitalism of the Friedmanite-Reagnite variety was, for Hayek, “every bit as dangerous” as anything Keynes ever proposed.

In a world framed by what, according to Slobodian, ought to be considered a contradiction in terms—neoliberal growthmanship—how should the left respond?

The overwhelming stress on the priority of “the economy” and its imperatives leads many on the left to adopt a position that mirrors Hayek’s. Following thinkers like Karl Polanyi, they criticize the way that “the economy” has assumed an almost godlike authority. Nor is it by accident that the libertarian left shares Hayek’s distaste for top-down economic policy, what the political scientist James Scott has dubbed “seeing like a state.” As the neoliberals realized in the 1930s, the nation-state and the national economy are twins. If this remains somewhat veiled in the histories of countries like France and the United Kingdom, the conjoined emergence of state power and the developmental imperative was stamped on the face of the postcolonial world.

Such critiques can be radically illuminating by exposing the foundations of key concepts of modernity. But where do they lead? For Hayek this was not a question. The entire point was to silence policy debate. By focusing on broad questions of the economic constitution, rather than the details of economic processes, neoliberals sought to outlaw prying questions about how things actually worked. It was when you started asking for statistics and assembling spreadsheets that you took the first dangerous step toward

politicizing “the economy.” In its critique of neoliberalism, the left has challenged this depoliticization. But by failing to enquire into the actual workings of the system, the left has accepted Hayek’s injunction that economic policy debate confine itself to the most abstract and general level. Indeed, the intellectual preoccupation with the critique of neoliberalism is itself symptomatic. We concentrate on elucidating the intellectual logic and history of ideologies and modes of government, rather than investigating processes of accumulation, production, and distribution. We are thus playing the neoliberals at their own game.

Given neoliberalism’s association with globalization, it might be tempting to see reclaiming the national economy as a way out of this trap. This is the impulse that lies behind “Lexit,” which, at its best, is a call for a return to the ambitious, left-wing social democracy of the 1970s. Given that this was the moment that provoked the neoliberals into their most vicious counterattack, one can see the attraction. The question is whether it is a real possibility. After all, the global South in the 1970s proposed not a series of go-it-alone national solutions, but a New International Economic Order. And in that moment, the global South could call on the energy of the first flush of postcolonial politics. The passions that have been unleashed in the United Kingdom and the United States since 2016 are of a more rancid vintage.

As long as it remains at the level of abstract gestures toward “taking back control,” the impulse of resistance mirrors what it opposes. We are still not engaging with the actual mechanisms of power and production. To move beyond Hayek, what we need to revive is not simply the idea of economic sovereignty, whether on a national or transnational scale, but his true enemies: the impulse to know, the will to intervene, the freedom to choose not privately but as a political body. An anti-Hayekian history of neoliberalism would be one that refuses neoliberalism’s deliberately elevated level of discourse and addresses itself instead to what neoliberalism’s airy talk of orders and constitutions seeks to obscure: namely, the engines both large and small through which social and economic reality is constantly made and remade, its tools of power and knowledge ranging from cost-of-living indicators to carbon budgets, diesel emission tests and school evaluations. It is here that we meet real, actually existing neoliberalism—and may perhaps hope to counter it.

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