

Social Democracy and Neoliberalism: Beyond Sibling Rivalry

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Abstract

The failure of 'progressivism' to gain traction in the current political landscape can be diagnosed in many ways. The diagnosis pursued here, partly in response to a set of recent debates, is that social democracy and neoliberalism have been artificially divided by the spectre of Marxism. But now that Marxism is no longer a serious geopolitical force (though it remains quite potent in academia), the time is ripe for the two 'centre-left' movements to come together by recovering their common Fabian heritage, which stresses the value of social experimentation.

Policy Recommendations

- Marxism should no longer be regarded as the polestar of Left-leaning politics. This point is already reflected in the actions of most politicians and policymakers today, but it needs to be embraced by the academic community if its opinions are to have any relevance in today's political arena.
- The shift away from Marx should be made in the context of reconciling the differences between 'social democracy' and 'neoliberalism', two technocratic forms of state capitalism that draw their inspiration from British Fabianism but have been increasingly seen by academics as polar opposites. This infighting, typically mediated by some phantom conception of Marxism, has contributed to the Left's blindsiding by the rise of 'populism'.
- Fabianism's strength in this renewed context is that it approaches technological innovation from the standpoint of enabling greater flexibility in terms of social organization, combined with more intensive interest in data collection. These provide the structural preconditions for inducing a sort of 'super-liberal' attitude at the administrative level that encourages systematic social experimentation, for which Karl Popper originally applied the clunky phrase, 'piecemeal social engineering'.

Introduction

Are social democracy and neoliberalism fundamentally the same or different? In his recent *Global Policy* commentary, [Michael Tribe](#) has attempted to draw a sharp line between the two twentieth century progressive ideologies, following up on [my](#) exchange with [Johan Söderberg](#). This in turn was prompted by a debate that I had with [Philip Mirowski](#) at the University of Lancaster in July 2018 on whether neo-liberalism could be the source of a better future for universities. I supported the motion, Mirowski opposed it. For his part, Tribe articulates the background assumptions about the history of neoliberalism that frames Mirowski's position (and supports Söderberg's). Since my main disagreement with Mirowski is at this level, Tribe's contribution was useful in laying out Mirowski's assumptions so explicitly.

However, Tribe misunderstands the spirit of my thesis, which is *not* that social democracy and neoliberalism have only come close together in the recent past. Rather, they have been always close together, and that their apparent differences are an artefact of recent historiography. The thrust of my argument is that we tend to regard social democracy in a warm nostalgic glow, while treating neoliberalism as a demonized 'other' – and moreover, this asymmetrical treatment distorts the political sensibility, especially of those on the 'Left'. This essay will elaborate on this point and end by drawing some policy lessons. Of course, 'social democracy' and 'neoliberalism' are slippery terms, a fact that already provides *prima facie* support for the argument presented here. The two terms are slippery not only because they are used in multiple ways but also because their substantive histories are mutually entangled. This essay is about the latter. But it is worth remarking on the semantic difficulties at the outset.

'Social democracy' is normally understood much better by politicians than by academics. Social democratic politicians have always been mindful of the tension between supporting the entitlements of trade unions and respecting the demands of a liberal democratic society. However, like-minded

academics – perhaps due to US-based nostalgia for FDR's New Deal and LBJ's Great Society – have treated 'social democracy' as a political oasis where one might have all the benefits of Marxism without any of its costs. The vividness of this oasis only increased once Marxism itself was removed as a serious global political force with the end of the Soviet Union, now nearly thirty years ago. Thus, nowadays a kind of perfected welfare state is imagined as 'social democracy', which then serves as the presumptive academic benchmark for judging all political-economic regimes.

In contrast, 'neoliberalism' stands for anything that thwarts that vision in the context of capitalism's seemingly relentless march. Mirowski contributes to this narrative – which has been also championed by more visible figures such as [David Harvey](#) -- by drawing some direct historical links between those who are now held responsible for the onset of this globalized demonic sense of 'neoliberalism' – say, Reagan, Thatcher and their various political offspring – and that elite club of economists, intellectuals and policymakers known as the [Mont Pelèrin Society](#), who coined 'neoliberalism' in the 1930s.

In this context, something called 'market values' are alleged to have increasingly contaminated all of social relations, suggesting a kind of debasement of 'worth' to 'price', as Kant would put it: that is, a reduction of 'intrinsic value' to whatever the market can fetch. However, this pejorative sense of 'market' is social democratic spin. Strictly speaking, neoliberals see the market simply as a mechanism for unblocking the flow of capital, the value consequences of which are open. To be sure, 'openness' in this sense does allow the sort of para-Nietzschean value nihilism found in Ayn Rand novels. This is because one meta-level value consequence of 'marketisation' is that people come to think of states of the worlds as 'choices' that in the past might have appeared either necessary or impossible.

The political psychologist Philip Tetlock associates this turn of mind with the breaking of '[taboo cognitions](#)', according to which the sacred is rendered secular – even in nominally

secular societies, as when truth-telling is seen not as unconditionally good but as subject to benefit-cost analysis. Consider Benjamin Franklin's injunction to be 'economical' with the truth, to which Abraham Lincoln responded, 'Honesty is the best policy'. Both involve taboo cognitions, in that truth-telling is rendered negotiable. The only 'value' that the market itself upholds in all this is the fluidity of capital, which to market agents appear as an 'optionalised' world, one in which necessity and impossibility are taken off the table.

Neoliberals are not especially committed to such widely touted 'market values' as consumerism, let alone to some blanket replacement of the state by the market. On the contrary, neoliberalism can be reasonably seen as putting the state in the business of creating and maintaining markets. Classical liberalism never expressed things so bluntly because until the second half of the nineteenth century, the potential power of the modern nation-state to alter an entire population decisively – 'extending its phenotype', as Richard Dawkins might say – had not become clear. The British Fabians, the main historical vehicle by which social democracy morphed into neoliberalism, were arguably the first to appreciate this point, the ideology of which is best called *state capitalism*.

The contrast with Marxism couldn't be starker. Marx himself underestimated the potential power of the state as an independent agency, and Marxists who have paid lip service to the state's agency have tended to portray it as the field in which class conflict is either temporarily or permanently resolved – the former as the capitalist state (which includes social democracy), the latter as the socialist state. In effect, Marxists focus all agency on capital itself, as if it were a demonic shapeshifting force – the materialist correlate of Hegel's world-historic spirit – that can be at one moment consolidated in monopolies and at the next moment dissolved in gales of 'creative destruction'. While the Fabian tradition also sees capital as all pervasive, its frame of reference is closer to that of 'energy' – a conceptual fixture of *fin de siècle* natural and social science – about which Mirowski has [written very interestingly](#). Capital as energy can be 'harnessed', 'channelled',

'constrained', 'freed' and 'wasted'. These various 'states' of capital *qua* energy roughly correspond to kinds of state policies.

A good way to read what follows is to imagine a world in which Karl Marx's normative sensibility – with its menacingly totalizing view of capital – is no longer the polestar of the Left. To be sure, in many respects, the perspective presented here is closer to the default ideological stance of politicians and policymakers of all the major parties in contemporary Western democracies. And it may prove to be a viable conceptual basis on which to reconstitute the 'Left' as an ideology for a world in which capitalism, while ever changing, is the name of the game.

The schism over redistribution: Can anyone be free if everyone isn't free?

The Mont Pelèrin Society's coinage of 'neoliberalism', which is Mirowski's and Tribe's main preoccupation, should be historically understood as the product of a breakaway group of social democrats who, in the wake of the formation of the Soviet Union and its global exportation of Communism, came to see collectivism – not equality *per se* – as the main enemy of individual freedom. In this argument, the key policy of collectivism was state-mandated redistribution of wealth, presumably according to some scheme that would result in the relevant sense of 'equality'.

The basic problem with the 'Soviet experiment', as these nascent neoliberals saw it, was its fundamental premise that no individual can be truly free until everyone is free. In effect this rendered the key modal terms 'truly' and 'everyone' hostages to political fortune, as the wait for universal emancipation could in principle last forever – especially if the principal instrument for expanding society's sphere of freedom is compulsory redistribution, whether it be through taxation or outright confiscation. Such a mentality would only incentivize the rich to protect their wealth, which may require squandering it if conflict is involved, rather than invest it in ways that might benefit others as either employees or shareholders. In the long term, the economy would at best remain

stable but would more likely shrink – and, in any case, certainly not grow.

However, the Soviet Union's rapid expansion along many different economic dimensions did not make this anti-redistribution argument seem especially compelling when it was first presented by [Ludwig Mises](#) in 1920. However, the argument started to acquire plausibility in the 1960s when the Soviet experiment started to show the strain of imperial overreach. At that point, followers of Mises, especially his student Friedrich Hayek, started to be championed by a renovated 'libertarianism', especially in the US, where the first generation to benefit from a social democratic welfare state – the legacy of the New Deal – had already begun to revolt against that very same state's imposition of military conscription to fight in the Vietnam War.

The very idea that one's welfare was 'owed' to the state (and hence one must fight in its wars) was abhorrent to the 'student movement'. It revealed the Janus-faced 'welfare-warfare state', as both the social democratic sociologist [Alvin Gouldner](#) and libertarian economist [Murray Rothbard](#) put it at the time. We should see today's 'Silicon Valley' mentality as a downstream effect of this development, with figures such as Stewart Brand and Kevin Kelly functioning as intergenerational bridges. Its signature policy style, as frequently and acutely pilloried by the journalist [Evgeny Morozov](#), is to replace the administrative functions of the state with a set of well-designed smartphone apps.

Moreover, alarm bells about the prospects of the welfare-warfare state had already rung in US Progressive circles around the time of the Bolshevik Revolution when one of their own, Woodrow Wilson, imposed a national income tax to fight the First World War, even though the US had not been directly attacked. Wilson justified American entry in the European conflict by arguing in the first mass public relations campaign that the US cannot consider itself truly free unless Europe is also free, given that the US owes its existence to Europe. In the minds of the Progressives who became the neoliberals, Lenin and Wilson shared a conception of the state that is in the business of realizing some higher order idea –

both frequently referenced 'democracy' – that in practice limited the opportunities of their own people to pursue free and fruitful lives.

But most heinous from the nascent neoliberal standpoint, was the squandering capital in all its forms, not least what the Progressive economist [Irving Fisher](#) had begun to call 'human capital'. The result was that while the American rich contributed unprecedented amounts of money to arm the combatants, the American poor contributed their lives in unprecedented numbers to the effort. Here Wilson's admiration for Bismarck's political and economic unification of Germany comes into play. Bismarck had managed at once to retain his conservative aristocratic base, appease the ascendant social democrats and neutralize the menacing Marxists by offering social security in return for national security – that is, 'welfare for warfare' -- through the alchemy of redistributive taxation. This was *Realpolitik* of the first order. In effect, Bismarck threatened the rich with the spectre of the poor not defending their wealth in time of war to get them to accept taxation at a rate sufficiently high – but not too high – in order to bribe the poor to stay loyal to the rich. The phrase 'protection money' would not be inappropriate in this context.

The role of the Fabians in the transition from social democracy to neoliberalism

The interesting question to ask in this context is what sort of social democrat was, or is, likely to become a neoliberal. The obvious answer is one who is willing to dispense with collectivist conceptions of social order if they interfere too much with individual liberty, as that would undermine the overarching goal of enabling everyone to realize their full potential, which in turn is the indirect but more reliable route to greater productivity and maximum prosperity for all. Much more could be said about how exactly that link between liberty and productivity/prosperity is supposed to work, but the idea is that 'collectivism' comes to be seen as blocking it.

The UK Fabians provide the missing historical link. Most of the key players in the formation of the Mont Pelèrin Society – including the continental ones – had begun their political journey as Fabian sympathisers. Not only is

the technocratic style and 'aspirationalist' rhetoric of neoliberalism traceable to the Fabians but so too is the radically instrumentalist attitude that neoliberals have toward all social formations, ranging from the family to social classes more generally. The functional equivalence of social life and social experimentation – what nowadays is simply called 'marketization' – is a policy sensibility that the neoliberals inherited from the Fabians. When Tony Blair rebranded the UK Labour Party as 'New Labour' in 1994, he was simply updating the sensibility that had led the Fabians to launch the Labour Party as a breakaway group from the Liberals in 1900 and subsequently informed all serving Labour Prime Ministers. Moreover, the sensibility crossed party political lines, starting with Tory PM Winston Churchill, himself an apostate Liberal who supported William Beveridge's Fabian-inspired version of the welfare state, which aimed to breed what [in another context](#) I have called 'natural born liberals', people 'fit to be free'. To be sure, this cross-party unity of purpose during the Second World War only helped the Labour Party to boot Churchill out of office after the war. Nevertheless, all major UK political parties – whether officially 'social democratic' or 'neoliberal' – have claimed ownership of the welfare state to such an extent that every UK politician routinely refers to the cornerstone of the system as 'our NHS' (National Health Service).

Still more significant in most people's minds in the transition from social democracy to neoliberalism is the election of Tory leader Margaret Thatcher as PM. She actually brought into her cabinet and advisory circle people who self-identified as 'neoliberal'. Yet, her strong Tory credentials did not diminish the Fabian spirit. This was made manifest in that most dutiful 'child of Thatcher', David Cameron, whose brilliant speech to the 2015 Tory Party congress – delivered shortly after Jeremy Corbyn was elected leader of the Labour Party – was right out of the Fabian playbook and even grudgingly acknowledged as such by the Fabian Society [at the time](#). (What a difference Brexit has made to Cameron's legacy!)

Someone who has arguably kept that cross-party faith in our own day is Iain Duncan Smith,

who has served as the Tory go-to politician on welfare matters for the past quarter century. He is a neoliberal Tory whose forthright interventionist stance vis-à-vis people's personal lives the Fabians would have appreciated, not least in terms of the idea of ['universal credit'](#), whereby disadvantaged people are supported in a bureaucratically monitored system on the expectation that they eventually provide for themselves. A crucial rhetorical feature of this idea is that the money that these people receive is called 'credit' not 'benefit', which might otherwise suggest that the state was providing charity rather than investment. A corresponding idea in the US, popularised by its own Tony Blair figure, Bill Clinton, is ['workfare'](#) (as opposed to 'welfare'). As of this writing, considerable controversy is raging over the implementation of universal credit, with the usual cross-party point-scoring. Nevertheless, both Labour and Tory claim the basic idea as their own.

Organized labour as the elephant in the room for social democracy

So far, I have failed to mention the elephant in the room in any blended history of social democracy and neoliberalism: organized labour. Here is where 'social democracy' as a political institution enters the picture. A key organizational inspiration for the Labour Party was the German Social Democratic Party. Its key political innovation was to incorporate the trade unions in the determination of party policy, which proved to be a winner in the ballot box. The Social Democrats became the masters of block voting. In fact, their success managed to thwart Marxist predictions that the Communist revolution would start in Germany. However, an open question remained: Was this alliance with the unions to be taken as reflective of 'social ontology' at some deep level (e.g. as exemplars of the 'forces of production') or simply a matter of political expedience? The Fabians were on the side of expedience – and Tony Blair finally drew the line when that expedience ended. I mean here his 1995 revision of [Clause IV](#) of the Labour Party constitution, which officially legitimized neoliberal means to bring about 'social democratic' ends. In effect, it removed the state from upholding certain forms of work, which had been suggested in the original

Fabian formulation – and had been the basis of organized labour’s grip on the Labour Party. It’s worth observing that Blair managed to amend Clause IV shortly after becoming leader of the opposition in Parliament – that is, *before* the Labour Party’s three impressive electoral victories under his leadership. He correctly saw this move as a vote-winner.

Here it’s useful to recall Marx & Engels’ original tagline for capitalism: ‘All that is solid melts into air’. This referred to what more than a century later Labour PM Harold Wilson referred to as the [‘white heat of technology’](#) as part of a policy to educate the next generation of Britons for ‘higher skilled’ jobs than those of their parents. Those old jobs would become either automated or simply made redundant, as the ‘solidity’ of the parental livelihood was ‘melted’ by scientific progress. This made ‘upward social mobility’ – the sociological correlate of Wilson’s message -- the implicit enemy of trade unionism, which had staked its legitimacy on the perpetual need for certain sorts of skilled workers. In all this, Wilson was elaborating on the vision for the ‘future of socialism’ put forward by one of his cabinet ministers, former Oxford Economics don, [Anthony Crosland](#).

Indeed, the Achilles Heel of social democracy has always been the power of trade unions to slow the pace of technological change more than the non-unionized electorate has been willing to accept, typically by threatening ‘industrial action’. By the ‘non-unionized electorate’ I mean people on either sociological side of unionized labour, as seen from a class perspective: on the one side, non-unionized workers; on the other side, members of the liberal professions; the two groups that formed the natural constituency for neoliberalism.

Adding to social democracy’s difficulties in the 1960s was the rise of identity politics within the ‘New Left’, which tended to fetishize historically rooted forms of social and economic practice as ‘cultures’ (aka *praxis*). The ultimately nostalgic rhetoric of this self-styled ‘Neo-Marxist’ movement enabled contemporary trade unionism to bask in the reflected glow of guild socialism from the previous century. That icon of New Leftists,

the historian [E.P. Thompson](#) exemplified this turn of mind, whose vision of socialism is based less on overcoming capitalism to reach a better place than on recalling a better place that could have been reached had we never had capitalism at all.

The neoliberals, to their credit, long understood trade unions as rent-seeking monopolists with regard to human labour that blocked the flow of innovation. Margaret Thatcher made the point politically visible in the 1980s by forcing the unions into the rhetorical corner of justifying their existence in terms of ‘defending’ and ‘protecting’ jobs, pensions, livelihoods, etc. In response, organized labour, perhaps unwittingly, self-identified as guardians of past privilege rather than the industrial vanguard that had galvanized social democracy a century earlier. The unions were increasingly seen by the electorate as old-fashioned and even reactionary. Even in their time in opposition under Thatcher, and certainly once Blair acquired power, the Labour Party itself began to create a similar distance, starting with the abandonment of Clause IV and going so far as to replace rigid collectivist ideas of ‘trades’ with more fluid individualist ideas like ‘skills’ as the centrepiece of its own policy for a ‘post-industrial knowledge economy’. [Mirowski’s twitchy views about Hayek’s collapse of ‘knowledge’ and ‘information’](#) start here, since Hayek – and neoliberals after him – basically regard knowledge as high-rent information based on academic monopolies.

The problem of public goods and academia as organized labour: Neoliberalism’s challenge to social democracy

This last point goes to the heart of Tribe’s dubious claim that neoliberals don’t recognize market failure. In fact, three of the four reasons he cites for market failure – externalities, monopolies and asymmetrical information – are ones that neoliberals quite clearly recognize. However, their solutions don’t involve the classic Keynesian policy of the state itself doing what the market fails to do by increasing the level of public finances through direct taxation. Rather, it involves the state enforcing proper market conditions, a policy

that one of the original neoliberals, the 'ordo-liberal' Alexander Rüstow called ['liberal interventionism'](#). These measures include incorporating externalities into how prices are set, breaking up monopolies and incentivizing competition, as well as making relevant information more easily available so people can make more informed choices.

These provided the foundation for West Germany's post-war 'social market economy', or 'Rhineland capitalism', as it was known at the time. While normally seen as a beacon of 'social democracy', the social market economy was in the fact instituted by the ordo-liberal Ludwig Erhard, as part of a Christian Democrat-led 'grand coalition' of parties. Generally speaking, Germany's post-war prosperity should be taken as evidence that social democracy and neoliberalism have been willing to trade and share ideas in a common project with markedly successful outcomes.

Implied in the last measure to overcome market failure – the need to redress information asymmetries – is the idea that academic labour is no more sacrosanct than any other form of organized labour, if it invokes 'expertise' to hold monopoly power over, in this case, knowledge validation. This is what ultimately bothers Mirowski about Hayek and was [the point](#) on which my debate with Mirowski began. Neoliberalism tends to suggest that we academics are too much like the trade unions for comfort, especially in an age of artificial intelligence that increasingly shapes our sense of what is an 'adequate' level of evidence, knowledge, intelligence, etc. The standard-bearer for this line of criticism of academia's epistemic prerogatives is Google – from its ordinary search engines to Google.ai. The point is that just as most forms of manual human craftsmanship have migrated to machine work, the same may also soon apply to much of human brainwork, ranging from routine legal and medical practice to academic instruction and research. In effect, the technological replacement of human labour – brainwork included – reduces the information asymmetries between humans in the marketplace by undermining the monopoly advantage of trades and professions, whose 'expertise' – as

demonstrated in extended training, examinations, specialist jargon and their associated forms of 'tacit knowledge' – serves to impede people's access to the knowledge they need to compete effectively in the multiple overlapping markets in a dynamic capitalist society. The burden of proof with regard to labour value is thus shifted onto humans to provide 'added value' vis-à-vis any potential machine-based substitute. Put bluntly, for neoliberals, the 'human touch' is presumed to be a pretext for rent-seeking behaviour, until proven otherwise.

This finally gets to the question of public goods, which probably provide the strongest case for the Keynesian compensatory state approach to market failure. Indeed, some economists define a 'public good' in a Keynes-friendly, question-begging way – namely, any necessary good that cannot be adequately supplied by the private sector. However, it would be more economically perspicuous to say that a necessary good is truly 'public' if it would cost society more to restrict its access than to allow free access. Neoliberals can agree with this refined definition. It enjoys the virtue of keeping empirically open the question of which goods do indeed count as 'public'. But a conceptual question remains: What exactly is the function of public goods such that their production at certain levels is a matter of necessity?

Take the classic welfare state examples of public goods: universal access to education and healthcare. Neoliberal state involvement here amounts to human capital investment, which is understood as a risky intervention. One never truly knows in advance who will need or make the most out of the investment, but the hope is that as a result of the investment, enough people will live significantly more productive lives. Whether that hope is realized remains an open question.

A vivid illustration of the neoliberal mindset here is the 2010 [Browne Review](#), which established the UK's current 'graduate tax' approach to higher education funding. The review was commissioned by Labour PM Gordon Brown and implemented by Tory PM David Cameron. And notwithstanding this

cross-party support, it is increasingly seen as having been too optimistic in the investment's rate of return. Indeed, notwithstanding neoliberalism's fondness for the 'knowledge economy', it remains unclear whether treating higher education as a public good makes good economic sense in the way that treating primary and secondary education clearly does. Thus, some neoliberal economists, such as [Alison Wolf](#), have explicitly argued for diverting state funds from tertiary to lower levels of education.

In this context, it is often forgotten that Keynesians – and social democrats more generally – have had a more relaxed attitude to the 'need' for everyone to attend higher education. This reflects their greater concern for a 'balanced' and 'stable' economy that doesn't suffer from the wildly fluctuating patterns of employment under the 'gales of creative destruction' promoted by free market capitalism. Thus, social democrats aim to do justice to two countervailing tendencies: the drive to 'upward social mobility' and the old socialist ideal of everyone being equally valued for the work they do, regardless of whether it's brain- or hand-based. In the UK context, while neoliberals are comfortable with the national economy drifting towards London-centric brainwork in financial services and the creative industries, social democrats would ensure that the UK retain its traditional industrial base, which involves all of the regions and does not require a university degree.

All of this helps to explain the Keynesian understanding of higher education as a public good. It doesn't depend on everyone going to university, unlike the neoliberal idea of human capital investment. Rather, it depends on everyone benefitting from the consequences of those few who make it to university. That's because the social democratic conception of public good is framed from the consumer's – not the producer's – standpoint. This idea is captured in the 'multiplier effect', which is Keynes' way of showing the knock-on positive effects of, say, non-academically trained people interacting with academically trained ones. The populace will get better medical care and better opinions on which to take decisions at the ballot box. This justifies

everyone subsidizing higher education as a good that in the first instance only benefits a few but which eventually benefits everyone. In this respect, the multiplier effect is really a form of 'trickle down economics', a phrase normally -- and disparagingly -- associated with neoliberals.

However, neoliberals object to the Keynesian approach to public goods as simply state-mandated paternalism. For them, either higher education matters to people's lives or it doesn't in terms of building the human capital needed to make them fit to be free. In that case, someone who benefits from higher education without having attended university is potentially a 'free rider' – i.e. someone who gets enough from higher education to satisfy their own interests but not enough to have invested in it themselves. By such neoliberal logic, the full potential of higher education as a public good is not realized unless everyone invests themselves – not simply their taxes -- in it. However, this can lead to a false sense of empowerment that is not redeemed in the improvement of one's life chances. This seems to be the emerging verdict on the Browne Review's strategy of incentivizing everyone to enter higher education. In that case, as was suggested above, neoliberals may come to conclude on empirical grounds that higher education is indeed *not* a public good.

Is social democracy vs. neoliberalism ultimately a historiographical mirage?

Perhaps in order to redress the balance of their relative political fortunes in today's world, social democracy tends to be judged by its theoretical aspirations and neoliberalism by its practical policies. This ends up making social democracy look better than it ever has been, while neoliberalism looks worse than it could be. No doubt it helps that social democrats such as Mirowski tend to be the ones writing the histories of neoliberalism. And of course, neoliberalism has by no means worked perfectly, given the ease with which the state can be captured by large corporate and financial interests, which in turn makes it difficult to apply the requisite 'liberal interventionism' for truly free markets to flourish. Moreover, within neoliberalism there has been much disagreement whether

intergenerational transfers of wealth can be properly counted as human capital investments, given their tendency to create bottlenecks in the flow of capital more generally. But at the same time, social democratic regimes have been equally captive – this time to organized labour, which has effectively put the state in the business of subsidizing unprofitable forms of employment, often resulting in higher taxes, larger budget deficits and stagnant economic growth.

An instructive way to acquire a more acute historical perspective is to take a closer look at Michel Foucault's 1978-9 Collège de France lectures, collected as [The Birth of Biopolitics](#). I wonder whether this celebrated posthumously published work about the origins of neoliberalism is ever read by those who cite it. What is most interesting about the book is that Foucault's course took place *just before* Thatcher and Reagan were swept into office, heralding what would soon become the 'neoliberal revolution' that supposedly marked a decisive break with post-war social democracy -- as if neoliberalism and social democracy were two distinct strands of thought locked in mortal conflict. Yet, this sharp difference is not to be found in Foucault's own telling of the origins of neoliberalism. Even the post-war disagreements between Keynesian and neoclassical economists are portrayed as being largely over hermeneutical differences concerning the same set of economic equations and their policy consequences. Taken as a systematic way to understand the world, these equations provide the basis for the 'cyborg science' that Mirowski in his best book, [Machine Dreams](#), critiques economics for having become.

Foucault's main point is that all these arguments are conducted against a shared 'biopolitical' sensibility (a term Foucault refashions from Rüstow's '*Vitalpolitik*'), which is endemic to 'welfare states', due to their concern with how people manage their lives. In this context, Foucault fashioned the term 'governmentality' as a placeholder for the activities of the state and potentially other superordinate agents (God?) who are engaged with its subjects/citizens in this intensive manner—that is, beyond an absolute

ruler's demand for obedience. Foucault seemed to find neoliberalism especially interesting because of its radically depersonalised conception of the state – a product of its anti-collectivism – that nevertheless still manages to focus intently on people's lives in the attempt to make them 'fit to be free' (aka 'wise investors of their human capital'). It's the sort of state that Calvinists or Deists – the sort of people who founded the US -- could appreciate.

If Foucault is to be faulted -- perhaps reflecting the taboos of his times -- it would be for his failure to see the connection between human capital and eugenics as integral to the welfare state's 'biopolitical' preoccupation with health and education. Nevertheless these matters were always interrelated, ranging from Fisher's coinage of 'human capital' to Beveridge's ultimately failed attempt while LSE Director in the 1930s to establish a chair in '[social biology](#)' as the foundational social science discipline.

Nevertheless, without entirely accepting the peculiar spin that Foucault gives to the rise of neoliberalism, his account is certainly in the right ballpark – and preferable to the one presented by Mirowski. Mirowski's account seems customised for today's disoriented leftists who imagine neoliberalism as a conspiracy cooked up by the people who backed Reagan and Thatcher, who in turn are portrayed as having foiled some social democratic utopia – typically associated with the elimination of social inequality -- that supposedly had been on the verge of being delivered in 1979-80. This is notwithstanding the inflation, unemployment, labour unrest and energy crisis that were in play at the time.

Mirowski's efforts are always brilliant, to be sure: an Adam Curtis-style 'behind the scenes' exposé that amplifies the significance of the Mont Pelèrin Society, perhaps to the point of caricature. Nevertheless, it's telling that Foucault never mentions Mont Pelèrin, though he does discuss the Walter Lippmann Colloquium which preceded it. My point here is historiographical. The style of 'demystifying' historiography championed by Mirowski is rhetorically most compelling when we already believe that a movement or tendency has come to fruition – and hence has revealed its

'true colours'. In that case, the *telos* of the history focuses largely on how that trajectory was kept hidden for so long or emerged only gradually. In Mirowski's case, this is really little more than a 'sour grapes' version of Whig history – that is, written from the standpoint from those who are not the beneficiaries but the dupes or victims of such a long gestating movement. But be it in its sweet or sour form, Whig history tends to leave one with a peremptory sense of how history ultimately turns out that fails to account sufficiently for the future's openness. Think of this point as an updated version of [Karl Popper's original critique of 'historicism'](#).

To best explain where I'm coming from, consider the following analogy, which you may initially find melodramatic. I take Foucault's *The Birth of Biopolitics* and, say, Mirowski's [Never Let a Good Crisis Go to Waste](#) as akin to the histories of Nazi Germany that were written, respectively, before and after the Holocaust was generally acknowledged. In the case of neoliberalism, the Reagan-Thatcher revolution corresponds to the Holocaust in the minds of social democratic academics like Mirowski.

Analogous to Foucault's book is Franz Neumann's [Behemoth](#), first published in 1942, a decade after Hitler had assumed power. It remains the most sophisticated critical exploration of the long-term prospects of Nazism's unique amalgam of ideas and policies. But it assumed that any outcome to the Second World War would keep Nazism alive at least as a political option. Of course, the total military defeat of the Nazis and the subsequent revelation of the enormity of the Holocaust overtook Neumann's framing of the situation, which in turn has led to a general neglect of his book in more recent times, notwithstanding his own credentials as a Frankfurt School member. Nevertheless, this neglect has arguably led those who are supposedly 'on the right side of history' (aka 'politically correct') to be blindsided by the longing of many, especially on the European Far Right, to revive an updated version of 'Nazism sans Holocaust' of the sort that Neumann had presupposed as being viable in his forensic examination of the movement in action.

Here it is worth recalling that when Herbert Butterfield coined '[Whig history](#)' in the 1930s, he was referring to the kind of self-glorifying history that mid-nineteenth century British Liberals told about the English Civil War two centuries earlier. The Liberals saw themselves as heirs to the Whig legacy. While of course they were right in several important ways, the Liberal spin overlooked the inconvenient fact that England ultimately restored the monarchy, notwithstanding the 'triumph of liberty', which is Whig history's dominant narrative thread. Moreover, the monarchy was never quite as politically inert as the Whig historians suggested – not least in their own day, the period when the UK, for better or worse, set the standard for imperialism on a global scale. The fact that we still refer to the second half of nineteenth century Britain as the 'Victorian Age' suggests that all is not quite right with the Whig account of British history. Moreover, astute observers of the UK political scene today understand that the monarchy's stalwart public posture and occasional judicious nudging has provided a stable backdrop to a parliamentary system that is given to considerable divisiveness.

A sour grapes version of this account approximates the more cynical Marx-inspired versions of the aftermath of the English Civil War – [E.P. Thompson's is a good case in point](#) – whereby the Whigs are portrayed as having falsely advertised themselves as the people's party when in fact they were the original bourgeois traitors to the class struggle, always intent on closing the door to freedom behind them, once they had got the upper hand over the King. Instead of self-glorifying, this version of Whig history is self-flagellating, but the display of political virtue remains the same. This is comparable to Mirowski's accusation that neoliberals are hypocrites with malign intent, whose idea of 'free markets' really amounts to pseudo-markets where the state protects large corporate interests and private capital investors. Like its sweeter version, such a sour grapes account of Whig history presupposes that the current state of play reveals what the movement in question – in this case, neoliberalism – had been about *all along*. To return to the earlier Nazi analogy, this cynical reading of Whiggism is

comparable to that presented in Zygmunt Bauman's [Modernity and the Holocaust](#), which portrays the Holocaust appears as not only the inevitable outcome of Hitler's project but also of 'scientism', the analogue of 'liberalism' in the social democratic critique of neoliberalism. The argument, then, amounts to conceding the contemporary dominance of the 'scientific' or 'liberal' sensibility at the outset and then turning it against that sensibility.

Nevertheless, [neoliberalism from its inception](#) has harboured voices – typically in its politically libertarian wing – who have consistently argued against state subsidies for historically important firms that over time have come to lose their competitive edge (e.g. US and UK steelmakers and automakers) and even against the state 'bail out' of major banks after the 2008 global financial crisis. These neoliberals openly challenge the post-war economic consensus that some enterprises are 'too big to fail' due to the social and economic costs of market failure on such a large scale, such as massive job losses, depleted pensions and mortgage foreclosures. Of course, such political purism is easier to maintain if one is not in a position of responsibility for the public finances. Interestingly, Mitt Romney's attempt to make neoliberal purism central to his 2012 Republican US presidential bid proved to be unpalatable with swing voters in the old industrial states, which in turn served to return Barack Obama to office. To seal the deal with the voters, Obama promised to protect jobs in the automotive industry, notwithstanding his earlier warm words for hastening America's transition to a 'post-industrial' economy that was not so reliant on the fossil fuels.

Plotting the future of the social democracy-neoliberalism relationship

Barack Obama is a classic post-war 'consensus politician' who easily permutes social democratic and neoliberal rhetoric and policy: usually leading with social democratic rhetoric followed by neoliberal policies, sometimes the reverse. The first politically successful version of US social health insurance, 'Obamacare', is an object lesson. The proliferation of hybrid options on health insurance, not only in the US but worldwide,

ranging from the state-provided to the individually-mandated – the social democratic and neoliberal default positions, respectively – has regularly testified to the two movements' common intellectual ground. But much too often this shared vision has been stymied by 'partisan political differences', which amounts to politicians struggling among themselves to increase their chances of being returned to office. To his credit, Obama overcame those differences at a time when the US Congress had become polarized to such an extent that the federal government was forced to shut down for a considerable period.

As it turns out, the states lost by Romney in 2012 swung back to the Republicans in 2016, as Donald Trump promised both to protect existing jobs and involve the state in a round of new job creation, notwithstanding the public deficit spending entailed by such policies. Indeed, the spirit of Trump's pledge was closer to FDR's New Deal than to any neoliberal programme. But luckily – at least for Trump -- Mirowski's 'hypocritical neoliberals' who control the US Congress have been quite open to any economic policy that their electorate would welcome and their funders tolerate. In this context, one should not underestimate the continuing allure of 'protectionism' and 'nationalism' in squaring the circle between social democracy and neoliberalism in politicians' minds. In effect, public spending in the 'national interest' is an investment strategy to maintain the political-economic power infrastructure, very much in the Bismarckian spirit.

To get a good final look at the stakes between social democrats and neoliberals, consider a persistent political-economic problem that has been given renewed scrutiny by Thomas Piketty in his celebrated 2014 book, [Capital in the Twenty-First Century](#). Piketty is referring to the increasing gap between the rich and the poor, a tendency that is driven by the rate of return on capital assets consistently outstripping the rate of first-order economic growth. This enables the rich to get richer simply by being already rich without producing anything themselves or even investing in new enterprises. Ricardo and Marx would have recognized this state-of-affairs as the revenge of the rentiers.

The social democratic leanings of Piketty and his many followers project a policy horizon rather like that of my *Global Policy* critic, Tribe, which depicts the difference between social democrats and neoliberals in terms of the former wanting a more regulated and the latter a less regulated capitalism. However, as we have seen, the real bone of contention is over the locus and type of regulation. Whereas neoliberals would aim to limit the hereditary transfer of wealth in the name of keeping markets open to newcomers, social democrats would focus on taxing current wealth with the explicit aim of reducing inequality through a state-based redistribution scheme. In the language of social justice: *equality of opportunity* versus *equality of outcome*.

Put another way, for neoliberals inequality is a problem only if it is irreversible, as when offspring acquire advantage through inherited wealth at levels that make them invulnerable to market forces. In that case, the state is in a position to stop that cross-generational transfer of wealth through 'liberal intervention' of the sort that the US Progressives pioneered more than a century ago, before social democracy and neoliberalism went their increasingly separate ways. This would be in the name of 'equality of opportunity'. In contrast, social democrats tend to see inequality at any given time as itself so problematic for social cohesion that they would have the state use 'progressive taxation' to redistribute wealth, regardless of whether the wealth was achieved by one's own or one's parents' efforts. The implied regulative ideal, albeit incompletely realized, is 'equality of outcome'. Readers can decide which of these two mutually entangled movements – neoliberalism or social democracy -- offers the better policy horizon to deal with the phenomenon that Piketty has identified.

Policy Implications: Toward Fabianism 2.0

The salience of the 'social democracy vs neoliberalism' divide is largely a latter-day Marx-inspired construction, in which all the remaining hopes of Marxists are placed on the shoulders of 'social democrats' -- and 'neoliberals' are those who would thwart their

realization. In this respect, the spectre of Marx haunts the entire discussion – and it should be exorcised once and for all.

In this post-Marx world, social democracy and neoliberalism are best understood as offering complementary approaches to dealing with the problem of inequality. They are matters that can be decided by the usual democratic means – and have been for more than a century in the West. It follows that those with lingering sympathies for Marx need to come to grips with the prospect that people may *rationaly* decide in ways that from an expert viewpoint seem to go 'against their own interest'. It may simply be that the Marxist – or more generally, the expert – understanding of the people concerned is wrong in some crucial respect.

There is no reason to think that once people are given a greater say in their lives – be it through extended suffrage, greater purchasing power, more education and/or access to the internet – they will come to conclusions that correspond to the views of those who think they know better. Indeed, hostility to 'democracy' as a political ideal until the nineteenth century was predicated precisely on this point. However, there is no need to fall back to that position, notwithstanding the tendency in commentary – Mirowski's being among the most sophisticated – to rely on tropes of 'hypocrisy' and 'deceit' (with regard to politicians and policy makers) and 'bias' and 'ignorance' (with regard to the general public). The experts may indeed know less than they think. This dawning awareness in our times is what I have called the [post-truth condition](#).

Moreover, the appeals to capitalism's menacing 'structures of domination' that Marx-inspired academics still brandish as trump cards ring increasingly hollow in public discussions. When these appeals were first made more than a century ago in texts circulated in workers' reading groups, they were interpreted as esoteric knowledge, on the basis of which one might plot a revolution. Nowadays, after decades of overexposure – both at the academic and the popular level – such appeals have become the stuff of panto politics. People 'always already' know about these 'structures of domination', can respond

with the appropriate level of horror when prompted – and then decide matters quite differently when something really matters to their own interests. A virtue shared by social democracy and neoliberalism is that they try not to conduct politics this way.

However, in our emerging post-Marx world, both social democrats and neoliberals need to face what might be called the *Fabian Question*: What is the exact role of technocracy in a democracy?

The Fabians favoured thinking of society in terms of blocks because people who think and act the same way are more easily administered to (managed, manipulated, etc.) than disparate individuals who think in many different ways. Marx-style class analysis provided the most convenient blocks in the early twentieth century because of the ease with which people self-identified and self-organized in terms of their relationship to the means of production. But unlike Marxists, Fabians were committed to class analysis only insofar as it served administrative purposes. Other ways of dividing the populace for administrative conquest may prove more efficient in the future.

Fabian open-mindedness about how people are to be classified was complemented by an obsession with getting the best data possible about the most aspects of people's lives. The Fabians were unabashed enthusiasts for the surveillance state, which harks back to Foucault's original interest in social democracy and neoliberalism as two sides of the biopolitical complex. Of course, the recent revolutions in information technology – from the advent of the internet to today's interactive social media – have breathed new life into this Fabian enthusiasm, especially given the ease with which people reveal themselves, sometimes simply to attract free publicity. Is this development also part of democracy's outworking or something more sinister in the making? That question remains even after the ghost of Marx has been purged.

The direction of policy travel in all this is clear. Once Marx is off the table, the Left should work toward reconciling the current differences between social democracy and neoliberalism,

which are mostly the product of ideological spin on their histories. The recent rise of 'populism', which has blindsided both ideologies, should focus minds here. It requires reanimating the Fabian impulse, which married a vivid organizational imagination with an intense interest in data gathering.

Here it's worth recalling that the Fabians were avid enthusiasts for 'propaganda', the creation of a total information environment in which people are in continuous interaction with the opinions of others – a literal 'marketplace of ideas'. Thus, the Fabian Society has been sometimes seen as the first modern think tank. In this spirit, a renovated Left should engage more constructively with public opinion research and public relations, which have shown impressive ingenuity over the years in configuring populations to bring about outcomes that might not otherwise have appeared possible. Indeed, the 2016 US presidential election and Brexit referendum illustrate how one propaganda strategy can triumph over another.

The challenge for the Fabian 2.0 is that our increasingly information-rich environment is owned and framed by commercial cyber-platforms with which the state is struggling to comprehend, let alone control. While the original Fabians would have been impressed by Facebook, Google, they would have been in awe of China's emerging '[social credit system](#)'. The social democratic and neoliberal offspring of Fabianism should not only learn from these developments but also reappropriate them in the spirit of what Karl Popper long ago called the '[piecemeal social engineering](#)'.

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