

# **THE NEOLIBERAL MIND**

**The ideology of the future**

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# Introduction

The term Neoliberal has been used derisively by the Left as a catch-all insult. It has served as a term of abuse to attack those who favour free markets and free trade, and as such, has lacked coherent content. Colin Talbot, Professor of Government at the University of Manchester recently incurred criticism from a student who demanded he should be disciplined for writing that neoliberalism was now meaningless, having been used as such a broad-brush term of abuse.

He began his piece by saying, “Let’s start with one simple and obvious fact – no-one claims to be a neoliberal.” This is no longer true. The Adam Smith Institute, which formerly described itself as “a libertarian, free-market think tank,” now calls itself “a neoliberal, free market think tank.” Since it did so, others have followed suit. There is even a group for young people calling itself “Young Neoliberals.”

History abounds with people adopting insults and turning them into straightforward descriptions. William the Silent of the United Provinces (William of Orange) led a revolt against Catholic Spain. Dubbed an “army of beggars” (Les Gueux), they proudly adopted the term and many wore small wooden begging bowls around their necks

as a proud emblem. Their nautical counterparts proved very effective against Spain, calling themselves “the sea beggars.”

The term Whig originally meant cattle-driver, and was used disparagingly. Despite this it was adopted and used by the major political party that took the name. Similarly the word Tory once meant Irish bandit or outlaw, but the Conservatives came to use it with pride as an abbreviation for their party name.

In the First World War, Kaiser Wilhelm II of Germany sneeringly referred to the British Expeditionary Force led by Sir John French as “a contemptible little army.” The soldiers of that force then and afterwards proudly dubbed themselves “the Old Contemptibles,” and the postwar veterans association issued its members with badges bearing the name to be worn at reunions and commemorations.

After the Second World War the Labour minister Aneurin Bevan described Tories as “vermin,” whereupon local Conservative associations formed Vermin Clubs, with some wearing little brooches depicting a rodent to identify their allegiance. Thus the embrace of the once-insulting term “neoliberal” as a straightforward descriptive word is following a well-ploughed furrow. An insult loses most of its force if those it is bestowed upon eagerly embrace it with pride.

On the Left there is an absurd caricature, a straw man that cannot be recognized in the real world. They see their enemies as a small group of rich and powerful people who control the world and organize it to serve their purposes. They seem to include investment bankers, hedge fund managers, top company directors, media bosses, and unscrupulous right-wing politicians who pass laws that benefit their rich friends. Secretive by nature, they can sometimes be glimpsed at meetings like the World Economic Forum at Davos.

Against this unscrupulous band are set those who call themselves social justice warriors, and who want to confiscate much if not all of the wealth of the rich and distribute it to the benefit of all, especially to those in the lower part of the socio-economic scale. A combination of populist left-wing politicians and street protesters will, they believe, bring about the change that is needed to bring down the rich and create a more equal society. Only then do they suppose will the neoliberal paradigm they say has dominated world thinking be cast aside and replaced by a more fair and equal society and a more just economy that distributes its benefits more widely.

Professor Talbot is probably correct that few people would step forward and admit they were part of such a dominant and sinister conspiracy, determined to suppress poor people and to prevent the aims and ambitions of ordinary people from being achieved. But there are certainly those who believe that a combination of free markets and free trade, together with the policies that enact and accompany them, will achieve the general good of humankind, and in particular will bring more benefit to the world's poorer people than any of the restrictive and redistributist policies advocated by the Left. Many of this group are happy to be called neoliberal, and to describe themselves as such.

They are characterized by a common outlook, a way of looking at the world that marks them out and sets them apart from other philosophical standpoints. Not all of the elements that make up that worldview are shared by all neoliberals. As with any other group that shares core values, there is room for disagreement with some strands of the viewpoint. Despite this variation, they hold sufficient in common to constitute a coherent, systematic, and fairly recognizable value system that occupies a distinct place on the map of socio-economic beliefs.

#### 4 THE NEOLIBERAL MIND

Given the widespread use of the term, the time is overdue for a systematic account of what neoliberals actually believe. This presentation aims to show the key facets of neoliberal thought, to show how and why they come to their worldview, and to set out their aims, priorities and their programme.



# The Neoliberal Mind

## **REAL WORLD**

One very prominent facet of neoliberalism is that it is very much anchored in the real world. Some ideologies are derived from mental constructs, theoretical models in the mind of how the holders of those beliefs conceive that society should be organized.

Often they start from a set of core principles, sometimes set forth as self-evident or allegedly undeniable principles from which their ideology is constructed in a series of logical stages. Sometimes these are set out as things that must be true because of the nature of the universe or because human nature is the way it is. Sometimes they can be set forward as principles that every decent person must accept.

These theory-based ideologies share the weakness that their advocates find it difficult to convince to their vision of society those not prepared to accept or agree with the basic principles that vision derives from. Someone who challenges the very foundation stones at the base is hardly likely to be persuaded of the value of the building constructed upon them.

It might well be the case that all human beings are tainted by original sin, but it is not self-evidently true, and nor is it logically necessary. It might be desirable to live in a world in which everyone is regarded as the “owner” of their own body, but again, it is not self-evident that this must be the case, or that this desirable thing is a necessity of the universe.

Some people construct an ideology based on rights, either natural rights or human rights which they claim everyone is entitled to simply by being a person. These rights might include the right not to have their property misappropriated or their freedom arbitrarily restricted by the actions of others. Some extend this rights-based system of society to include what they call civil rights, and list among them the entitlements they think every citizen should have. The UN Declaration on Human Rights lists several such entitlements.

Some people claim, for example, that in addition to a right to life and a right not to be falsely imprisoned, everyone also has the right to a free education and free healthcare.

A major problem with this approach is that every right has a corresponding duty or obligation placed upon others. A right to life for you imposes on others an obligation not to kill you. The problem with many of the so-called civil rights is that things such as education and healthcare cost money. Schools cost money to build and teachers have to be paid. Hospitals cost money and doctors have to be paid. Training teachers and doctors costs money as well. To say that people have a right to free education and healthcare is to say that other people have a morally binding obligation to pay for it, an obligation they might be unwilling to accept.

Furthermore, a “right” to free education and healthcare does not

specify the quality of the service people are allegedly entitled to. How good an education do they have right to? How much healthcare must they receive? Education can range from basic literacy and numeracy up through secondary schools and universities, and even on to postgraduate degrees. If education is a right, that right does not specify the degree of education to which the individual is entitled.

Just as the “self-evident” or “undeniable” truths can be contested by those who do not accept them, so can the so-called civil rights. It is difficult to persuade people that they are obliged to pay for such things as the education and healthcare of others if they do not agree that these are rights. They might ask how this obligation came to be placed upon them, and where it came from.

Neoliberals do not for the most part derive the policies they advocate from any necessary truths about the universe or human nature, and nor do they deduce them from any rights, natural, human or civil. They tend instead to advocate policies calculated to bring about circumstances that most people would prefer. They are rooted in the outcomes that take place in the real world. Neoliberals are very much empirical, using observation of actual events to guide them to the policies they prefer. They see an interaction between principle and practice, a continual feedback between what is proposed and what results. They allow real-world events to modify a principle if the intended outcome is not brought about in practice.

The test of a neoliberal principle is not whether it conforms to some theory-based model of how neoliberals think society should be organized, but on what it achieves in practice. If the principle fails to achieve the sought-after results in the real world, it is discarded or modified, not because it is wrong, but because it doesn't work.

The neoliberal approach mirrors the scientific method to some extent. In science theories are proposed to help us to predict and to some extent understand what we shall observe. But the basis of acceptance or rejection is their performance in the observed world. If they pass the test of experiment we retain them, if they fail it we either modify or discard them.

Neoliberal theory is not about the determination to impose a seamless theoretical interpretation upon the world. Instead it is about learning the lessons of the world and using them to propose policies that can change it for the better, that can make it correspond more to the world we would like it to be. It is a continuous process. There is no final explanation, no fixed set of principles that constitute it. It is more of a process than the description of a status quo.

Of course there are principles that are part of the neoliberal outlook. They favour free markets and free trade. The caveat is that these are not favoured always and everywhere. There can be circumstances in which they are modified or limited to fit in with special circumstances. They are not subscribed to religiously as revealed truths. They are treated as policies which have produced favourable outcomes in the past, and which usually produce favourable outcomes. But they are not regarded as ones that must always do so. In individual special cases they may not fully apply, and in those cases they may have to be adapted to meet distinctive circumstances. They are changed by real world experience.

## **OPTIMISM**

Many conservatives are characterized by a pessimistic view of human nature and a pessimism about the future. They regard human nature as flawed by original sin, and think that left

unchecked, people would behave badly toward each other. Selfishness would prevail, along with immorality and lack of self-restraint. They think that people need to be hemmed in by rules and laws and the threat of punishment to make them behave with any degree of decency and civility.

Many are skeptical of the value of progress, seeing life as providing opportunities to show a self-restraint imposed by a religious or legal code. Fulfillment from the humdrum can be gained and is sufficient reward and incentive. In the words of a Church of England hymn,

*“The trivial round, the common task  
Will furnish all we need to ask,  
Room to deny ourselves, a road  
To bring us daily nearer God.”*

This attitude sits easily alongside a deep skepticism about the future and the value of progress. Many conservatives question the value of material improvement and think that the proper regard of humanity is for spiritual improvement rather than for physical advances. Their aim is to live a life that is internally worthwhile, even if it is identical to the life lived by their parents and grandparents.

Neoliberals do not share this pessimism. Nor do they subscribe to the view common on the Left that human beings are ultimately perfectible, and can have their nature reshaped into that of a more socially responsible creature. Instead they take human beings as they are, and try to produce circumstances in which they will serve their fellow men and women even if they do so by serving their own interests.

Nor are neoliberals concerned that an ultimately sin-infused humanity cannot be led to behave benignly save under repressive rules and religious threat of eternal damnation. They are optimistic enough to suppose that under the right conditions people will behave decently towards each other.

Indeed, many would follow the idea advanced by Adam Smith in his “Theory of Moral Sentiments” that the most salient human characteristic is empathy towards their fellow beings (Smith called it “sympathy,” but today we call what Smith referred to as “empathy”). That is, we are concerned about the fate and fortune of others because we know they are like us and we can imagine ourselves in their position. In some degree we are happy at their joy, and sad at their suffering. While it is true, as Smith pointed out that we identify most with friends and family, and then with our countrymen, we still feel a degree of empathy for the lives of people on the far side of the world, people we have never met and will probably never meet. This feeling motivates neoliberals to seek to enrich the world’s poor.

Neoliberals concern themselves with trying to bring about the conditions under which people will treat each other with respect and consideration, and under which people will work with their fellow men and women to mutual advantage.

Far from seeking fulfillment in the humdrum and commonplace and looking for internal solace spiritually, neoliberals are committed to improving the world and making lives better for its inhabitants. It is essentially about progress, about making it possible for people to better their lives and those of their children. Life is not a circle to them, one in which we might live like parents and grandparents. Rather is it a spiral, in which each generation is enabled to build upon the

achievements of its predecessors, and lead lives that are richer and provide more opportunities for people to fulfill their diverse goals.

Instead of showing skepticism about the value of progress, neoliberals embrace it, regarding it as providing opportunities to improve the human condition. Most neoliberals welcome technological advances, valuing the opportunities they present instead of fearing any dangers they might involve. Instead of being fearful of possible dangers, neoliberals tend to be confident that human ingenuity and creativity can solve any problems that technological advances might pose.

While those of other persuasions might value the measured rhythm of a steady life and value its stability for the predictability it brings, neoliberals embrace change. They know that even in a static life, the unexpected will occur. There will be natural disasters and the possible hazards of new illnesses. There will be fires, plagues, earthquakes and floods to threaten the human condition. In an otherwise unchanging world these are difficult to deal with, whereas in a constantly changing and developing world, people acquire the skills and the resources, mental as well as physical, to confront and surmount the hazards that nature throws their way.

The static society is threatened by human developments as well as by natural disasters. From time to time new religions will emerge, new heresies will develop, and new philosophies will change the way people think. The response of a static society is to see such ideas as threats to its stability and to the established order of society. It has been common in the past for societies to use force and violence to suppress such intellectual innovations in an attempt to preserve the status quo of the established order.

Neoliberal societies, characterized as they are by constant change and development, accommodate such intellectual innovations. They

can take in their stride intellectual changes, and can adapt to them just as they can adapt to economic and social changes. They are part of the world of Heraclitus, in which everything changes all the time, rather than that of his contemporary Parmenides, in which everything stays the same despite the illusion of change.

To the neoliberal mind the future is inherently unpredictable. It will develop in response to such things as cannot be foreseen, such things as new knowledge, new technologies, intellectual breakthroughs, as well as to external events, cosmic as well as terrestrial. They see no purpose to history, no inevitable destiny, no sense of history working its way towards a predetermined outcome. They think history will continue to develop and unfold as long as men and women are alive. There is no end to it. Just as they embrace change for its opportunities, neoliberals look forward with optimism to the future, welcoming the challenges and changes because of the possibilities for improvement they bring.

This is one reason why neoliberals reject the Marxist idea, which owes much to Hegel, that human history is developing along a trajectory that will culminate in the triumph of the proletariat and the emergence of a classless society. It is also why most neoliberals do not accept either the notion that the world will end in the divine destruction of all mortal things. Rather they take the view that nothing is foreordained, nothing is inevitable. The future is not written, but will be determined in part by the actions of men and women. Neoliberals are optimistic enough to believe that the future world will be a better one not because of the inexorable and inevitable processes of destiny working away in the background, but because people will work to make it so.



## PRESENT, PAST AND FUTURE

Most people who support a free market economy and free trade think that the present is a better place to live than was the past. They compare the present with the past, rather than with some imagined theoretical future. This is an important and characteristic difference between neoliberals and those of other persuasions. Rooted as it is in the real world, neoliberalism does not look at the past through rose-tinted spectacles as many conservatives do. Nor does it look at the present and see only its failings, comparing it to a wonderful hypothetical future world of the imagination. Neoliberals see the world as it is, compare it with the past, and think it is better.

In the first place, people live much longer. For the millennia of human existence on Earth, the average lifespan of human beings was about 30 years. It was that way until very recently. It began to change when the wealth generated by specialization and trade enabled people to climb above starvation and subsistence, and then to afford sanitation and effective healthcare. Gradually the human lifespan was extended until it currently extends to about 68 years, and higher still in the more advanced countries.

Death of the mother in pregnancy or childbirth is a tiny fraction of what it was. 200 years ago it was estimated that as many as 800 mothers could expect to die per 100,000 births. Now that figure is nearer to 10, a reduction of over 98%. Even in the last 25 years that rate has halved worldwide.

Deaths of children under 5 years old have also declined dramatically. In 200 years the numbers who die are down from 40% to 4.3%, and this, too, has halved worldwide within the past 25 years. The conquest of major diseases has been an important factor in this

achievement, as has an understanding of sepsis and the discovery of antibiotics.

The approach of neoliberals is to look at what has worked in the past, and to hope that doing more of it might bring even better results. In this respect the conquest of malaria, which currently kills 500,000 children annually, is a priority to achieve even better results.

The present is also better than the past in respect of a reduction in malnutrition, hunger and starvation. The global death toll from great famines was estimated at 27m per year at the beginning of the 20th Century, whereas early into the 21st Century it has dropped to fewer than 1m per year. Very many fewer people in the world now live lives that are at or below subsistence level.

More people now have access to healthcare and education than was previously the case. World literacy stands at an all-time high. All of these things that help determine the human condition and the quality of life are improving, and by many measures the present is better than the past. The real world is better than it was.

Some ideologies compare what they see as an inadequate present and compare it with a vision they conjure up of what it might be. They compare the present not with a past that is real, but with a future that is imaginary. Of course the real world falls short of what it might become, but it is far much better than it was. Neoliberals compare it with the past and inspect what it is that has made it better, and try to do more of the same type of thing. They seek to try to do more of what has worked before. They have the advantage that they are trying tested things rather than untested ones. The untested ones just might work, but they might also have unintended, even disastrous consequences.

The aim of neoliberals, along with those of many others, is to make the world a better place, especially for those lower down in the socio-economic levels or on the margins. In that sense they, too, have a vision of the future, but it is one guided by a comparison with the past rather than one that seeks to address the world's failings with novel and untested proposals.

## **FACTORING TIME**

A Stanford professor named Walter Mischel began a now-famous series of experiments in the 1960s. They were psychological studies involving the behaviour of children aged about 4 or 5 years old, and the basis of the test was to offer the child the choice of eating a single marshmallow then and there, or of waiting until the teacher returned and receiving two marshmallows instead. Some chose immediate consumption of one marshmallow, some waited for two.

Intriguingly there have been follow-up studies of how those children performed later in life. The two marshmallow kids on average had higher SAT scores and more of them were awarded college degrees. They were less likely to have criminal convictions, they enjoyed better mental and physical health, were less prone to narcotics addiction, and were in better-paid jobs. The evidence strongly suggests that the ability to defer immediate gratification in return for greater future reward puts a child among life's future winners.

Neoliberals factor time into economic calculations. I could read a book today, or postpone that action until tomorrow. They are not equal, because if I put off reading it until tomorrow, I forego the pleasure of a day spent contemplating its wisdom or being stimulated by its insights. I value the activity less if it is in the future. If I am to postpone gratification, I would prefer to be compensated for doing so. If

I am to pass up the pleasure of a marshmallow now, I should receive two marshmallows later.

There is a risk element, too, in that if a pleasure is postponed, circumstances might arise which prevent it from being enjoyed in the future, so I could lose out if I postpone enjoyment. The risk that comes with delay has to be compensated as well as the deferment of pleasure.

When time is factored in and present pleasures are valued more than future ones, the notion of interest arises as the reward for deferring present pleasure and the incentive for doing so. And from this notion arises investment itself and the use of funds as capital rather than for spending. The person who 250 years ago chose not to spend money, but to use it to buy spinning jennies or Arkwright water frames was paving the way to a fundamental change in economic organization. He or she was investing in textile production in order to gain greater returns – in order to enjoy the equivalent of two marshmallows tomorrow by postponing the consumption of one today.

This is the essence of capitalism, the use of funds as capital invested with the aim of multiplying them in the future. Businesses ranging from corner shops to giant multinationals all use capital to secure greater future returns. It took investment capital to set Britain's industrial revolution in motion by mechanical specialization and the application of external power to increase the productivity of each worker.

Not everyone has access to capital of their own, of course. Some would-be entrepreneurs have to borrow it, often from family and friends. Others borrow against the security of their homes, and others have to resort to external investors, selling a part of their anticipated future returns in order to gain sufficient capital to get the enterprise under way.

Some underdeveloped countries do not have sufficient capital to establish industries that can yield future profits, and try to attract investment from richer countries. This inward investment has made major contributions to development in poorer countries. Critics of capitalism and of multinational corporations portray this activity as predatory, regarding the outside investors as exploiters, taking advantage of the poorer country.

Neoliberals see it very much as symbiotic, bringing advantages to both sides. The outside investors gain returns on their investment by enabling production to be done more cheaply than it could be in a developed economy. The poorer country gains the resources to set up businesses it could not finance by itself. It gains the employment and the transfer of technology and skills to its own workforce. Despite the criticism levelled at it, overseas investment has been a major contributor to the economic growth that has lifted many poorer countries out of abject poverty and a subsistence economy.

Whatever charges may be directed at neoliberalism, its record on development is a visible fact of its success. By encouraging poorer countries to adopt market reforms in return for investment capital, neoliberals have paved the way for an unprecedented spread of economic development. Investors want to make money, to set aside funds now in the hope of making more later. They want those funds protected from confiscation by the local governments. They want to be able to repatriate monies that they make. They want a favourable tax climate that will enable them to make a sufficient return to justify the whole activity. When neoliberals advocate these policies, they are not bullying smaller and weaker countries into acquiescing in predatory capitalism, they are creating the very conditions that will make those countries attractive to overseas investment. It is these conditions that will bring in the funds that can secure economic development and growth.

People will defer gratification and postpone spending if the conditions are there for them to secure greater returns by investing their funds instead into the build-up of enterprises that will yield future profits. It is basic to neoliberalism that this activity should be facilitated and encouraged. It is one of the wellsprings of progress.

## **SPONTANEOUS INTERACTION OR PRECONCEIVED GOALS**

Those who support free markets, as neoliberals do, often face the criticism that the outcomes of markets are uncertain, and that societies would do better to make a plan for what the future is to bring, and then work to bring it about. They suggest that rational planning is better than the chaos of uncertainty.

This is a false dichotomy. The choice is not between rational planning and chaos, but between central planning and planning that takes place at the periphery. It is a choice between planning by the few who are trying to direct it, versus planning by each individual of the part that concerns their own life. Those individual acts of planning interact with each other to produce not chaos but a spontaneous order. The market is an organization, the product of human action assuredly, but not the product of human design. No-one plans its overall order; that is something that emerges from the interaction of its myriad inputs.

Neoliberals argue that the spontaneous outcome of the market is superior to one that is planned and preconceived. Firstly they point out that while a planned economy is the product of a few minds attempting to direct it from the centre and to anticipate the outcome of the steps they take, the spontaneous market economy is the product of millions of minds, each generating their own small part of it.

Not only does it have more minds involved in it, argue neoliberals, the spontaneous order has more information. There are narrow limits on what information can be collected about an economy and conveyed to those in charge of it. By the time it reaches them, much of it might already be out of date. In a market, by contrast, each participant need only know about only the small part they interact with. Added together, those small pieces of information add up to far more knowledge than a few central planners can have access to. The case is, therefore, that the free market not only has more minds involved in it, but has access to far more information, and more up-to-date information.

There is another important difference. It is that the free market is faster to react and to adapt to changing circumstances. When something happens in a planned economy, the information must be relayed to the central planners who only then can take steps to deal with it. By contrast, in a market economy the reaction can be immediate. If a shortage occurs in a planned economy - and it has to be said that in real-world examples of planned economies, shortages have been a major characteristic of them - the planners need to know the shortage has occurred before they can take any steps that might be needed to deal with it.

In a market economy, other things being equal, a shortage will usually lead to a price rise. That price rise tells people to use less of whatever it is, and to turn to substitutes where they are available. They do not even need to know the cause of the shortage; the price rise alone tells them to use less. It also sends a message to producers. If the price has risen, there could be more profit to be made from the item, and producers will be attracted to producing more of it to put onto the market.

The effect of the price rise caused by the shortage is thus to reduce consumption of the item and increase the production of it. The market does this automatically by sending price signals, where a planned economy would need human intervention to combat the shortage. The market behaves somewhat like a thermostat, altering its output in response to changes in the status quo. It is faster to react because it does not need human intervention to redirect its response to changed circumstances.

There is another important facet to the free market that gives it an advantage over the planned economy. It is that the market economy sits naturally alongside a large amount of personal freedom. People in a market economy give expression to the values and priorities by the decisions they make. They decide how to distribute their resources to give effect to their preferences. It is the individual who decides what proportion of his or her income shall be allocated between the competing claims on it. Such attractions as food, entertainment and clothing will weigh differently with different people, and the market economy allows each individual to decide their relative importance and to make decisions accordingly.

In a planned economy it is the central planners who make many of the decisions concerning how resources are to be allocated. They decide the priorities and give the instructions that give effect to them. The more the central planners take decisions about resource allocation, the more the area open to individual choice and preference is diminished.

A further crucial advantage that a market economy enjoys over a centrally planned one is that it allocates resources more efficiently. One might suppose that wise people sitting around a table might sensibly decide how necessarily limited resources might be allocated to



various different sectors of the economy, but in fact the price mechanism of the market economy does this much better.

No economy has access to limitless resources, so the question arises as to what the priorities should be and who should have access to them. The price system directs them to where they will add most value. The person or group who can use them to make the product in greatest demand will be able to outbid those who would use them to add less value. No system can be fully efficient in its use of resources, but the market system converges on the use of them for the purposes that are most in demand.

The planned system, when it works, satisfies the needs and priorities of the planners, but the market system, by contrast, allows the needs and priorities of the general citizenry to be satisfied instead.

The final point made by neoliberals, and by conservatives as well for that matter, is that human actions do not always achieve what they were supposed to. The law of unintended consequences sits between the actions people take and the results they achieve. Quite often our actions produce unforeseen and unpredicted outcomes that, far from achieving what was sought, actually bring about a worse state of affairs.

When planners have been put in charge of a country, the records list many cases of unfortunate results they achieved even where they had the best of intentions. Markets are not like that. They are unpredictable and they sometimes bring about things people would have preferred not to happen. But they are self-correcting in large measure, and are so quick to react that they can often forestall unwanted events as soon as they are seen to be happening.

The evident superiority of spontaneous systems is a major reason why neoliberals overwhelmingly support market economies over planned ones.

## **REALISTIC ABOUT HISTORY**

In 1845 Friedrich Engels published a book entitled “The Condition of the Working Class in England.” It became a classic, and set the tone for perceptions of Britain’s Industrial Revolution until after the Second World War.

Engels made the case that the Industrial Revolution had made workers worse off. He argued that workers earned less money than their pre-industrial equivalents, lived in less healthy and less pleasant environments. Given the conditions in the Manchester of his day, it is not surprising that he was led to these conclusions.

The industrial workers lived in cramped, poorly ventilated accommodation with no adequate sanitation. Hygiene was poor, and diseases such as smallpox, tuberculosis, cholera, measles and scarlet fever were rife, causing mortality among children as well as adults.

Engels blamed industrialization and particularly industrial capitalism. He formed his famous partnership with Karl Marx to advocate the overthrow of capitalism and its replacement by communism. He influenced a succession of Marxist scholars with his nightmarish picture of mid-Nineteenth Century Northern England, and that picture lasted for a century before an alternative view came to be presented.

T. S. Ashton’s 1948 work, “The Industrial Revolution,” paints a graphically different picture in which for most workers industrial employment was a step up from the existence they eked out on the

land. Farm workers were crowded into even more insanitary conditions, sleeping on vermin and insect-infested rough straw, often in the same room as their animals. Filth and faeces abounded, work was back-breaking from dawn until dusk. Food was poor, mostly gruel, malnutrition was everywhere, and starvation was a frequent visitor. In his book “Progress,” Johan Norberg vividly describes the life that a ten-year-old girl could expect at the time.

“Wherever she had been born, she could not have expected to live longer than around thirty years. She would have had five to seven siblings, and she would already have seen at least one or two of them die. The chance that her mother would survive childbirth was smaller than the chance that the present generation will meet their grandparents.

She would have been brought up under conditions we consider unbearable. Her family would not have had access to clean water or a toilet. Chances are that they did not even have a latrine; they would have used a ditch or gone behind a tree. Her surroundings would have been littered with garbage and faeces, contaminating water sources and devastating lives. Her parents would live in constant fear that she would be taken away by tuberculosis, cholera, smallpox or measles – or starvation.

This little girl would have been stunted, skinny and short, since she lived in a world of chronic undernourishment and recurring famine, where people did not get the energy to grow and function properly. This would also have halted her brain’s proper development. She would not receive any schooling, and would never learn to read and write.”

There was a rose-tinted view of the past that pictured rosy-cheeked children dancing around maypoles, well-fed fathers swigging beer

with their roast beef, and happy families laughing together as they enjoyed picnics on grassy meadow. Few people now buy into this false picture, and the reality of poverty and squalor in pre-Industrial Revolution Britain is now the widely accepted alternative.

Neoliberals embrace the Industrial Revolution as the event that started people onto an upward slope they have been climbing since. There is no summit to that slope, no limit to the heights that humanity may reach.

The new machines that human ingenuity had created made people more productive. They earned wages in the new factories, wages that gradually enabled them to advance their standard of living. They could afford china to eat from instead of wooden bowls, and cutlery to eat with instead of their fingers. They acquired furniture and clothes softer than the rough hemp of the countryside.

The wealth generated by the new industries enabled civic authorities to attend to sanitation, sewage disposal and clean water. Health improved, and with it life expectancy. Life was undoubtedly hard in those early industrial towns, but it was a step up that people willingly took.

Neoliberals regard the Industrial Revolution as the start of the process which led to our present world in developed countries of longer life-expectancy, sufficient food, improved health, better housing, universal education, better pay and conditions, and opportunities for advancement. It was a gradual process, taking roughly 250 years to advance from where we were then to where we are today.

It is part of the neoliberal ethos that they want poor people in less developed countries to make the same gains our predecessors made. They want them to have access to the opportunities brought by the

transition from a predominantly agricultural economy to a mainly industrial one.

Neoliberals look at the past and learn lessons from it. They do not want poorer countries today to take 250 years to reach comparative prosperity, and hope that it can be achieved in a small fraction of that time. They do not want people in developing economies to go through the stages, some of them unpleasant, that it took to achieve decent standards in the UK and other developed countries.

They believe that they can help accelerate and soften this process by opening their markets to encourage exports from developing countries, and by promoting and facilitating inward investment in them. Both of these measures are calculated to produce jobs there and to create the wealth that will lead them along the path that Britain took. And they believe that this kind of help will greatly shorten the progress of that journey. Indeed, they believe that it already has done and is doing just that.

## **LIMITLESS GROWTH**

Neoliberals are committed to economic growth and believe there are no limits to its potential. They believe the world can continue indefinitely to become richer, and that there are no limits to growth. This is in sharp contrast to many environmentalists and those on the left who suppose that growth equates with greed and a profligate lifestyle. The supposition by many of them is that growth is the expression of a materialism that values possessions more than human values and experiences. The person who wishes to have more material possessions is often derided as someone lacking in spirituality or the ability to appreciate life's non-material rewards.

It is further assumed by some that the Earth's limited stock of minerals, elements and other resources is being drained by the headlong dash for growth, and that we are in danger of depleting this stock and leaving "nothing left for our grandchildren."

Some cite statistics which purport to show that even though we are twice as wealthy on average as we were a generation ago, we are no happier, and conclude that therefore there is no point to economic growth.

Others point to the increase in the world's population and claim the planet cannot bear the load of all the extra people and the drain they impose upon the Earth's resources. The call from such people is for us to put limits on economic growth, to curb increases in population, and to live more simply, leaving a smaller footprint on the planet.

There seems to many neoliberals an assumption behind this that human beings are a form of pollution, and that the world would be better off and "more natural" without them. The neoliberal outlook is completely different. It treats humanity itself as a resource, and a limitless one at that. It is optimistic enough to believe that the ingenuity and creativity that characterize human beings can solve any and all of these apparent problems.

In the first place it does not accept the notion that we are using up Earth's scarce resources. Advancing technology enables us to access resources which were formerly unreachable. Coupled with our ability to use fewer resources in manufacture, and our ability to develop substitutes, it means that our ability to supply resources is exceeding our demands made upon them. They point to a decline in the cost in real terms of most major resources.

In a famous wager made in 1980, Julian Simon, author of “The Infinite Resource,” bet Paul Erlich, author of “The Population Bomb,” that a basket of scarce resources would be cheaper in 10 years’ time than at the time of the wager. Simon won and Erlich duly paid up. One of them was copper, then vital for telecommunications, with a reserve supply estimated at a handful of years. It was superseded by carbon fibre cables and is now present in greater reserves than it was then.

Neoliberals see the world as dynamic, not static. There is not a fixed supply of resources that is used up. There is resource use that fluctuates in price as demand and supply vary. If demand jumps ahead of available supply, prices will rise and people will use less and try to access reserves that were previously unprofitable. They will turn to and develop substitutes in their place. This is one reason why carbon fibre and laminates are now used instead of steel in many manufactures.

A generation ago it took a roomful of equipment to do all of the things a smartphone now does. It is a record player, a movie camera and projector, a computer, a video recorder and player. It is a telephone of course, and a calculator, a watch, a compass, a flashlight, a dictation machine, a word processor, and a great deal more besides. Yet it sits in the pocket using a tiny fraction of the resources it took only recently to make all of the equipment that it has replaced.

The argument that growth does not increase happiness fails to resonate with neoliberals. They point out that surveys of happiness are necessarily subjective, asking people to rate how happy they are. The people answering now are not the same people who answered a generation ago, and standards and expectations change in the interim. What growth does is to help remove the unnecessary causes of unhappiness such as a grandparent starving to death in winter, or a

child dying of disease or malnutrition. Growth helps fund adequate diets and medical advances.

On the subject of population growth neoliberals look at real world developments and find little cause for alarm. Global population has increased because medical advances and increased food supply have kept alive people who would previously have died. In underdeveloped countries people have many children because they need the child's contribution to family budgets, and they depend on their children to support them in old age. As countries experience economic growth, however, they become rich enough to put children into education instead of work, and they can afford social services to support the aged. Because of this population increase declines as countries become richer.

The world now has just over 7 billion people. The above trends suggest that the increase will gradually level off, reaching perhaps 10 billion and then starting to decline. This is far from the alarmist figures of 30 billion or even 50 billion that are tossed about, and it is a figure that the Earth can easily support in terms of food and resources.

The answer to charges of crass materialism is straightforward. A neoliberal wants people to be able to allocate their resources as they see fit, mostly by their individual spending, but some of it through the governments they elect. Growth has brought material prosperity, it is true, with cars and televisions and smartphones now the norm. But it has also brought museums and art galleries and symphony orchestras. It has brought sanitation and medical breakthroughs. It has bought the exploration of space and increased our knowledge of the workings of the physical and natural worlds. It has achieved these non-material things because people have used it individually or voted to use it collectively to achieve these things. Growth brings the wealth that brings these choices.



## TRADE AND WEALTH

At the very core of the neoliberal worldview is the knowledge that the wealth of the world is not fixed, but is continuously created by specialization, trade and exchange. And it is an essential part of this view that value does not reside in objects but in the mind of the beholder. It is somewhat ironic that one of the few things that Adam Smith was wrong about, indeed, the only significant thing he was wrong about, was something that Karl Marx took and made central to his system – this was the labour theory of value.

The error is to suppose that value resides in objects. Our language leads us into this error. We say that an object has value, whereas what we mean is that we value the object. Value does not reside in an object as something that inheres to it in addition to its physical properties. Value is in the mind of the beholder, not in the object. We value it, and because we are all different, we value things differently.

If it were indeed true that the value of an object consists of the labour it took to produce it, including the labour it took to produce its components, then value could be measured. It would be objective. We would calculate the man or woman hours it took to produce it, and would know its value. That value could be seen, and would be the same for everyone precisely because it would be an objective measure.

Marx erected a whole superstructure upon this error. He spoke of “surplus value” when something is sold for more than the labour cost of its production, and regarded this profit as exploitation, with the capitalist gaining more than the value put into it by those whose labour produced it.

In fact value is subjective. We value things differently because we have different preferences and priorities. Something might take

many hours of labour to produce, but if no-one wants it, then its value is zero. Value derives from demand, not from production. And it is because we value things differently that trade takes place. If value were indeed objective and measurable, we would have no reason to trade. We trade because we want what the other party has more than what we have to give in exchange for it. There would be no reason to trade objects that had equal, external value because nothing would be gained from the process.

We trade because we place different valuations on things, and when we do so we create wealth. People speak of one party “getting the best of a bargain” when an exchange takes place, but this again is a misunderstanding. People trade because each party values what the other party has, and values it more than what they are giving up in exchange. They each gain something they value more than what they are giving up for it. In other words each has gained more value than they had. Wealth has been created by the exchange and both parties have something of greater value to them. Neither has gained the best of the bargain because both have gained value. Trade is a win-win situation that creates wealth for both. It is pertinent that it is an inherently social activity. Far from being predatory or exploitive as some claim trade to be, it is essentially co-operative, with both parties working together for mutual advantage.

It was specialization and the application of external power to boost productivity that characterized the Industrial Revolution. The trade it made possible created wealth first for Britain which pioneered it, then for others as they followed suit. It is part of the neoliberal programme to spread the benefits of this process as widely as possible. They regard trade as benign, unlike some critics who think of it as somehow demeaning and corrupting. When the Left deride trade, much as Napoleon derided Britain as “a nation of shopkeepers,” they echo the aristocratic voices of the past who regarded trade as shabby,

unworthy of a gentleman who would better spend his time in hunting or improving his swordsmanship.

On the contrary, neoliberals regard trade as a worthy, even uplifting activity that improves the lot of humankind. To them it is the key that unlocks the door to the wealth on which so many human advances have depended. Although some affect to despise its materialism, trade has generated the wealth that has funded cultural pursuits, as well as the health and sanitation it has made possible along with its material prosperity.

Neoliberal ideas have been instrumental in helping poorer countries embark on the road that led Britain first, and then others, into the wealth that turned it from a predominantly agricultural economy into a modern, developed industrial nation. It is part of the neoliberal ethos that under-developed countries should be helped and encouraged to embark on a similar journey, and it is a part of that ethos that the lives of their peoples will be improved when they do so. It is this which has lifted so much of the world's population from subsistence and starvation into self-sufficiency and survival.

Critics may affect to value indigenous cultures and to praise the simplicity of their traditional lifestyles, but the fact is that when peoples from under-developed nations have been given the choice, they have opted for the upward path into modern developed status. Some, indeed, have left those simple and traditional lifestyles to seek the comparative affluence that life in the developed world can bring. Adam Smith spoke of the urge people have to improve their condition, an urge that can be seen at work in every country climbing out of desperate poverty into a more secure and wealthier position.

## MAKING POOR PEOPLE RICHER

Neoliberals have often been accused of being the friends of international bankers and executives of multinational corporations. Some of their critics allege that they are little more than apologists for the rich and powerful, for whom they provide the gloss of intellectual cover. It is claimed that behind their philosophy lies only the interest of a powerful ruling class which has the world's economy rigged in its favour.

The truth is almost the opposite. Neoliberals concern themselves most of all with the lot of the poor, and with the global poor as well as with the poor of their own country. They regard the main legitimate aim of politics to be the improvement of the condition of those at the low end of the socioeconomic scale, for it is there that the difference matters most. At the bottom end it is the difference between starvation and survival, whereas higher up it can be the less important difference between comfort and affluence. This concern with the world's poor is greater with neoliberals than it is with most conservatives or libertarians. It is a concern that is shared, however, by the more benign socialists, even though the methodology they advocate is vastly different.

Neoliberals favour fair and open markets, not cronyism, which they regard as rent-seeking, the use of political power to gain greater return than they would receive in a fair and open market. Neoliberals are vociferous opponents of attempts by established and powerful corporations to lobby governments into making it difficult for newcomers to enter the market to compete with them. Similarly they oppose taxpayer subsidies direct or indirect to further corporate interests. They are also against bailouts of failing firms, except perhaps in isolated cases where special circumstances prevail, generally

taking the view that the markets should punish failure just as it rewards success.

Taking a realistic, rather than an idealized view of the world, neoliberals recognize that businesses might find it easier to influence laws in their favour than to compete successfully in an aggressive market. Money spent in lobbying for laws to limit competition might be more successful than money spent in improving their products or processes. This is regarded by neoliberals as an illicit activity, and they seek laws and institutions to restrain it. The biggest barrier to such activity is openness, because where companies and legislators are required to declare their interests publicly, corrupt or sweetheart dealings between government and business are less likely to take place.

The problem is even more serious on an international scale because many multinational corporations operate in countries where corruption is endemic and even tolerated. Eternal vigilance against such distortions of market activity is even more required in these cases than it is in the developed countries.

Where neoliberals diverge from socialists is in methodology. The latter believe that wealth must be redistributed to help those at the bottom, whereas the former believe that it must be created. Neoliberals do not suppose that wealth is fixed. On the contrary, it is constantly being created. The countries which have become richer have done so by creating wealth, not by having it redistributed from richer ones.

Neoliberals, much more so than conservatives or libertarians, are ready to endorse a degree of redistribution within developed countries as a means of lifting up the condition of the poorest in society, but on the international scale they note that it has been economic

growth by trade and exchange, rather than foreign aid, which has uplifted the world's poor.

Within developed countries many neoliberals look for ways of making redistribution more efficient as well as more humane. They look at ideas such as a Negative Income Tax or a Minimum Income Guarantee as ways of rationalizing the myriad of confusing and sometimes conflicting benefits which have somehow proliferated in developed economies. Some of them look with interest at experiments with a Citizens' Income, given to all citizens to ensure that those at the bottom have an acceptable living standard. There is no unanimity among neoliberals about the best method by which welfare can be delivered to the needy, but there is an open-minded readiness to experiment and to accept whatever works in practice.

Neoliberals note the longstanding problem with welfare – that of reconciling help for those who need it without creating disincentives for those who might otherwise have been motivated to improve their lot. They favour opportunity, wanting to make it easier for new jobs to be created by removing some of the regulatory barriers that inhibit the process. They accept that help may be needed with retraining or relocation to help people into new types of jobs or those further afield. They accept as basic that it is important not to have people trapped in welfare, unable to earn more money for fear of losing the welfare benefits they currently receive.

However, even in developed economies neoliberals take the view that the growth of the economy is a way to improve the condition of poorer people. A growing economy creates job and opens opportunities. Unlike socialists who favour higher taxes so more might be redistributed to create a more equal society, neoliberals favour lower taxes so more investment can take place and the economy can expand.

## FREE AND GLOBAL

Neoliberals are not just in favour of trade; they are in favour of free trade. By this they mean trade that takes place across frontiers without tariffs or quotas. They mean the import and export of goods without the intervention of governments to impose taxes on them or putting limits on the quantity permitted to enter.

Some governments seek to protect their domestic industries by shielding them from foreign competition, especially when that foreign competition can sell goods of comparable quality at lower prices. Typically a government will impose an import tax on goods coming in that undercut the prices its own businesses can sell at. Sometimes it will impose a quota on the amount of particular goods that will be allowed to enter. The aim is to protect jobs, but neoliberals think that this is misguided.

The aim of government tariffs and quotas is to shield domestic producers from cheaper competition, but the effect is to make its citizens pay higher prices for their goods than they need to. In other words it makes them poorer than they need be. Furthermore, while it can protect producers in its domestic market, it cannot protect them elsewhere. Its own producers will be unable to compete on world markets.

This is particularly harmful when the goods being protected are used as inputs to other manufactures. When steel production, for example, is protected by tariffs or quotas from cheaper foreign steel, the effect is to make the country's own steel-using producers pay higher prices than they need, and thus produce goods more expensively than they could otherwise do. This means that the county's other producers who use steel will themselves be uncompetitive on world markets.

For many decades the UK protected its domestic textile industries from cheaper foreign products. The newly industrializing nations had lower input costs and could produce many textiles much more cheaply. The UK government protected its Lancashire cotton industry with tariffs and subsidies, leading to UK citizens paying more than they need do for clothing, and to an outmoded and overpriced textile industry unable to compete on world markets. When government ultimately withdrew its protection, the UK could no longer produce cheap textiles competitively, and jobs were lost as a result. But a new range of higher-end textile industries emerged, stressing quality and design. Some UK brands became world famous designer labels, selling to the very countries that had become richer by producing cheaper goods. Added value jobs were created as a result.

Some critics of free trade allege that a developing country's emerging industries need to be protected from world competition. Again, though, it means their own citizens will be poorer as a consequence of having to pay higher prices than they need. A tariff or a ban on imported tractors might aim at protecting a developing country's own tractor industry, but its effect is to make its farmers pay more than they need for their tractors, and thus to produce food more expensively. The effect is to raise prices and make people poorer.

Neoliberals support free trade agreements where they can be negotiated, but many of them favour unilateral free trade even where other countries do not reciprocate. They take the view that giving their citizens access to cheaper foreign goods makes them richer.

A popular fallacy holds that countries become richer by exporting, and by selling more abroad than they buy from abroad. The reality is that they become richer by importing. When they buy foreign goods cheaper than domestically-produced ones, people have money left over; they are richer. The US humorist, P J O'Rourke, put it



very cleverly, saying “imports are Christmas morning; exports are January’s MasterCard bill.” Imports make us richer, and exports make it possible. It is not the exports earning money that make us richer; it is buying cheaper foreign goods and having money left over that does that. Exporting is how we make the money to do that.

Another popular fallacy is that self-sufficiency is a virtue. It is alleged that a country is better off if it can grow its own food and produce the goods that its people want or need. Neoliberals take the opposite view and hold that the more trade we do with other countries, the better off our own country will be. We could grow our own food and make our own goods, but we do better to buy from countries that can produce them more cheaply.

Adam Smith pointed out that while a household could bake its own bread, butcher its own meat, make its own shoes, and so on, it would do better to rely on outside experts who have developed the skills and specialization to do these things more efficiently than we could. He suggested that what is right for a household cannot be wrong for a country, and wrote:

“It is the maxim of every prudent master of a family, never to attempt to make at home what it will cost him more to make than to buy. What is prudence in the conduct of every private family, can scarce be folly in that of a great kingdom.”

In a very famous example he suggested that while wine could be produced in Scotland, it could only be done at great expense, and Scots would do far better to import foreign wines from countries whose climate allowed them to produce them more cheaply.

“By means of glasses, hotbeds, and hotwalls, very good grapes can be raised in Scotland, and very good wine too can be made of them at

about thirty times the expense for which at least equally good can be brought from foreign countries. Would it be a reasonable law to prohibit the importation of all foreign wines, merely to encourage the making of claret and burgundy in Scotland?”

The point is that buying wine at thirty times the cost makes people poorer, whereas buying the foreign wine leaves them with money in pocket.

Despite this fact, the chorus urging self-sufficiency is one that neoliberals find themselves having to argue against constantly. Somehow self-sufficiency is conflated with self-reliance, and the good quality of the latter leads people to assume that the former must also be good.

Part of the reason for this misguided outlook is that if a country produces its own food and goods, it sustains jobs that might be lost if it bought imports instead. This is true, but jobs are not an end in themselves. Their purpose is to produce the goods and services we need. They are a cost, something we have to spend money on in order to produce the things we need. The money we save by buying cheaper foreign items will ultimately lead to more jobs being created than the numbers put at risk by the imports.

Free trade means that countries produce and sell the items they can do better than others, and they buy the items that other countries do better. If some countries can do nothing at all better than others, David Ricardo’s Theory of Comparative Advantage suggests we should still buy from them in order to free up our resources and energies for the things we can do even better.

Modern transport technology has shrunk the world by making transport costs a much lower factor of production. The advent of canals and railways did that initially, putting what had been highly

self-sufficient village economies into the national economy, enabling parts of the country to specialize. In modern times the emergence of huge cargo planes, and spectacularly of the container ship, has enabled formerly self-sufficient countries to plug into the global economy, selling their goods on a world market. This has helped make possible the great surge in world growth and the attendant wealth it has brought.

It is a process that continues. The first direct freight train service between China and the UK began in 2017 when a train loaded with 44 40ft containers arrived on January 18th after an 18-day journey. This took half the time it would have taken by sea, and was a small fraction of what air transport would have cost. This will reduce even further the element of cost taken up by transport, and has the effect of shrinking the world, bringing more of it into a global economy.

What neoliberals point to as one of the greatest effects of this shrinkage is that many people in developing countries can now sell their labour on the world market. People who were previously confined to a local agricultural economy can now be employed in making goods that can be sold on the other side of the world. This is why average world income has risen so spectacularly in recent decades. Free trade has lifted up the lives of people in distant countries. It has been one of its most striking achievements.

## **THE WORLD IS NOT REDUCIBLE**

Some systems of thought try to interpret the world through models. This involves a necessary simplification since the actual world is too big and has too many variables to process. The problem for neoliberals is that this kind of simplification involves loss of information, and they believe that this information is needed to understand

and interpret the world, and to change it. In other words, they do not think that the world is reducible; models of it cannot represent it adequately.

This goes some way to explaining the problems they have with some aspects of modern academic economics. The desire of economists to give their discipline the trappings of a science and to fill it with mathematical equations that purport to describe the behavior of human beings is that people are also irreducible. In physics a spring or a billiard ball may be much like another spring or billiard ball for the purposes of analysis and experiment; but the same is not true of human beings.

When mathematical economists try to operate with a simplified model of the world, they are leaving out most of what the real world needs to make it operate in the way that it does. When an economist says, "Let us assume perfect competition," he or she surrenders the real world straight away, for in that real world there is no perfect competition. Similarly, when they say, "Let us assume perfect information," they are dealing with a world unlike ours, for in our world no one has access to it.

In our world people sometimes compete effectively, sometimes not. Sometimes they strain every sinew to capture more market share, and sometimes they cannot be bothered, and just drift comfortably along. Sometimes people make every effort to find out what is going in with their customers and their competitors. Sometimes important information eludes them. The world simply isn't perfect.

It is significant that some economists in recent years have been shifting towards a much more empirical, historical approach. Pure model-based work has lost much of its credibility and some academics are now trying to do natural experiments and other quantitative analysis

instead of relying on very complex and abstract models. Economic History is attracting more attention, too. Part of the strength of neoliberalism is that it has some very distinguished economists who share its approach.

Neoliberals are at odds with Keynesians and with other economists confident enough to suppose that inputs will produce predicted outputs. They observe that when governments and their advisors try to manipulate and direct the economy on the basis of how the formulae tell them people will behave, the results are often unexpected because people do not behave in those predictable ways. The results are often as unpleasant as they are unexpected.

Neoliberals are even more skeptical of social thinkers who think the world can be depicted with the broad brush of sweeping assertions about class and power, or of those who claim that all human activity and development reduces ultimately to easily understood economic fundamentals. The world is far too complex to be represented by simple pure principles in action.

It is not only complex; it is inherently unpredictable. People act rationally sometimes and not at others. Sometimes they change their minds and behave differently in a way that springs and billiard balls do not. People are motivated sometimes by worthy aims and at other times they show less desirable qualities. There is no perfect information; people do the best they can with limited information, knowing that unforeseen events might alter their plans or thwart their intentions with unintended consequences.

If neoliberals know one thing to be true it is that the world is a messy old place. It does not fall tidily into neat rows and columns. It is not like some clean-lined machine whose mechanism can be studied. It

is more like a jumbled mass of interactions whose outcomes are uncertain.

Neoliberals deal with the world as it is, not as some neat model might describe it. They know it is full of imperfections, and think these should be identified and admitted so that they can be coped with. Human nature is not perfect, and almost certainly not perfectible. Knowing this helps deal with it, and they try to devise policies and institutions that can help minimize any baleful effects those imperfections might generate.

They know also that the world is not static. It changes from moment to moment as decisions and actions interact with other ones. One reason that neoliberals favour the market is that it is reactive, adapting from moment to moment to the changes put into it. It deals with a changing world by responding to it and smoothing some of its turbulence. It fits into the real world with its complexities, not into the models that elide them.

To a neoliberal the economy is a process rather than an object. A static thing might be measured, weighed and assessed, but a process can only be understood in dynamic terms. It needs a description of how the moving parts relate to each other and how changes in some of them induce corresponding changes in others. In economic terms it needs an understanding of how people behave and what motivates them to change their behavior. To suppose this can be done in terms of formulae and equations is to descend into hubris.

People are infinitely complex creatures, motivated by different things at different times. While it might be true that, all other things being equal, people will generally aspire to improve their lot in life, it must be recognized that other things are not always equal, and there will be times and occasions when this is not true.

This complexity and variability means that there are tight limits on what can be predicted about society and the economy. More to the point, it means that there are also strict limits about how inputs can be applied to change them. Neoliberals tend to hold the view that society, like the economy, is an organic, ongoing process, and that no-one can plan to make it more perfect. The notion that some person or some group can think in their minds of a perfect society or of what the economy should be like is, to neoliberal eyes, absurd. It is also fraught with dangers, as the rivers of blood shed in attempts to achieve such perfection bear witness.

The best that can be achieved is what Karl Popper called “piecemeal social engineering,” nudging it cautiously in a desired direction, but always hesitantly and prepared to change direction if it seems to be producing an undesirable outcome. The test, as always, is what happens in practice.





# Conclusion

## NEOLIBERALS AND THE WORLD

Outside of the caricature painted by some on the left, neoliberalism has not had all of its precepts implemented. Some of its tenets have been enormously influential over the past three decades, and neoliberals would say they have proved hugely beneficial in practice. But neoliberals have not had it all their own way, and the world would be a different place if they had.

Much that transpires runs counter to neoliberal values and beliefs, and is the product of a totally different worldview. In a world completely true to neoliberal ideas there would be no crony capitalism. Governments and businesses would not get into bed together for mutual advantage, and would not secure favours for each other at the expense of the general public. Legislators would not enact laws that favoured some businesses over others, or which allowed protected and privileged companies to charge consumers more than they would in a fair, open and competitive market.

In many parts of the world some of the money made by businesses finds its way into the pockets of legislators, who then pass laws to enable the businesses concerned to make even more money. Quite apart from the dishonesty of this type of corruption, it runs completely counter to the core values of neoliberalism, which call for businesses to compete honestly and fairly, and for legislators to seek to make it easier for their constituents to improve their lives.

In a completely neoliberal world there would be no tariff barriers to trade, and goods and goods would flow freely across frontiers. Frederic Bastiat is credited with the observation that when goods cross borders, armies rarely follow. His point was that countries which trade with each other learn to negotiate with each other and settle differences amicably, so a free trading world might see less conflict. If neoliberals were able to secure universal free trade, their world would be richer because of the enhanced volume of commerce that would take place.

If governments took on board even more of the principles of neoliberalism, they would not favour some industries at the expense of others by subsidizing them, openly or covertly. They would allow the decisions of consumers, domestic and worldwide, to determine which industries prospered and which did not.

It is highly unlikely that in a neoliberal world, governments would fix minimum or maximum wages by law, but would allow the value of the job done and the availability of labour to do it to determine the rate of pay. Markets rather than legislators would determine these, and other, economic outcomes. It is part of the very essence of neoliberalism that the free interaction between people's economic decisions produces more desirable outcomes than does the attempt to draw up economic priorities and to set about overriding the spontaneity of the market in order to impose them. Neoliberals, ever with an eye on the past, point to the very poor record such attempts have achieved.

The point of stressing these departures from its aims is that while neoliberalism has been tremendously influential in promoting globalism, free trade and economic development of poorer countries, its agenda is by no means complete. It seeks constant improvement and convergence on its goals. It is ongoing.

The neoliberal mentality is optimistic enough to believe it can be even more influential in the future than it has in the past. Optimism is as much a part of its character as is its benign view of humanity, its rejection of preconceived programmes, and its belief that the millions are better placed to achieve worthwhile results by their interactions than are the planners looking to achieve a foreordained future.

Neoliberals think that their empirical, real-world approach has brought worthwhile and tested results in the past, and will continue to do so in the future. It has already achieved greater advances for humanity than any approach that has preceded it, lifting billions of the world's poor from the misery of subsistence and into a life of promised improvement. The optimism of neoliberals persuades them that their ideas will achieve even more in the future.

