The paradoxes of liberalism: can the international financial architecture be disciplined?

Grahame F. Thompson

Available online: 30 Aug 2011

To cite this article: Grahame F. Thompson (2011): The paradoxes of liberalism: can the international financial architecture be disciplined?, Economy and Society, 40:3, 477-487

To link to this article: http://dx.doi.org/10.1080/03085147.2011.577948

PLEASE SCROLL DOWN FOR ARTICLE

Full terms and conditions of use: http://www.tandfonline.com/page/terms-and-conditions

This article may be used for research, teaching and private study purposes. Any substantial or systematic reproduction, re-distribution, re-selling, loan, sub-licensing, systematic supply or distribution in any form to anyone is expressly forbidden.

The publisher does not give any warranty express or implied or make any representation that the contents will be complete or accurate or up to date. The accuracy of any instructions, formulae and drug doses should be independently verified with primary sources. The publisher shall not be liable for any loss, actions, claims, proceedings, demand or costs or damages whatsoever or howsoever caused arising directly or indirectly in connection with or arising out of the use of this material.
Review article

The paradoxes of liberalism: can the international financial architecture be disciplined?

Grahame F. Thompson

Text reviewed


Abstract

Jakob Vestergaard has produced one of the most telling analyses of the international financial architecture by deploying a broadly Foucauldian framework that invokes a novel description of neo-liberal governance, one organized around discipline, conditional exceptions and the pursuit of a ‘proper economy’. This review both welcomes but challenges some of Vestergaard’s analysis. In so doing it explores further the paradoxes of liberalism and the fate of sovereignty in the current international context.

Keywords: liberalism; Foucault; international financial architecture; Washington Consensus; ‘proper economy’; economic governance.

Grahame F. Thompson, Open University, UK, and Copenhagen Business School, Denmark. E-mail: g.f.thompson@open.ac.uk; gt.dbp@cbs.dk
It is perhaps in relation to the arena of the international that Foucauldian scholarship has until now had the least systematic impact. This might seem surprising given that Foucault was consistently concerned with the constitution and fate of territory and of space in his many writings. Insofar as there has been an engagement with Foucault’s writings in respect to matters international it is the ‘security’ dimension that has attracted the most attention. But more recently things have begun to change. Probably provoked by the publication in English of the series of lectures Foucault gave at the Collège de France in the mid-1970s (Foucault, 2003, 2007, 2008), interest in the consequences of his thought for charting and understanding current international trends has escalated. These lecture notes contain some intriguing analytical comments and asides about early modern and later territorial developments that have been picked up by current research. Of course ‘fragments’ of his positions on territory and space appeared in his books that were first published in France at the time of the lectures, but which appeared in English well before the recent series (in particular, e.g., Foucault, 1977, 1978). And, although Foucault never systematically developed an analysis of territory and space, the accumulated books and lecture notes – which in various ways hint at what that might have involved – now seem sufficient to provide a productive basis for a more extended examination (e.g. Barry, 2001; Fraser, 2003; Larner & Walters, 2004; Lipschutz & Rowe, 2005).

The publication of Jacob Vestergaard’s book marks a further development in this trend, associated this time with international financial matters – something not so far treated at any length within a Foucauldian framework. And such a treatment is timely given recent events. The book presents a very readable and accessible account of the issues associated with financial relationships, global governance and the fate of liberalism in the current phase of international capitalist development. It is directed at analysing the impact of these in the area of financial regulation and the new financial architecture debate that took place in the run up to the 2007–8 financial crisis. While not explicitly directed at the crisis for obvious reasons associated with timing, it provides a telling indictment of the way international financial regulation was hijacked by a particularly virulent form of market fundamentalism which, as we have all come to recognize to our cost, has now proved a disaster. It provides a nuanced and subtle discussion of these matters. And the explicitly announced Foucauldian framework deployed in the analysis really works for the book. So often analytical frameworks like this are announced with a great deal of fanfare and flourish, yet at the end the reader feels that it could probably all have been done and written without that framework. It does not add much. This is not the case here, however. The framework is well integrated and the argument shows exactly how it works for the analysis. This is a most refreshing aspect of the book.
In the rest of this assessment I say something about three of the major themes that run throughout the book: neo-liberalism and its fate, the move from the Washington to the post-Washington Consensus and, finally, something about liberalism itself, seen as both a political philosophy and a programme of government. In each case I try to allude to a particular central paradox highlighted by the analysis in the book. So we will have three paradoxes of liberalism to examine here.

What is neo-liberalism?

What is (or, perhaps, was) neo-liberalism? As Vestergaard quite rightly stresses, there is no single thing or position that can be used to describe neo-liberalism comprehensively, and he outlines several variants. But, for the sake of brevity, I confine my remarks to three of its central and generally recognized elements.

The first to be stressed is neo-liberalism as an ideology, set of ideas or discourse. This emphasizes several features: the virtues of intense competition; the idea that market solutions to problems lead to the best outcomes; it being anti-direct state intervention or the fostering of and support for socially engineered outcomes; and its stress on self-reliance. But these ideas need to be rendered into a definite project of policy formation and economic management for them to become effective, hence the second element.

It presents a programme of economic policies. Here we can reference the well-known package of policies that neo-liberalism is associated with: the privatization of public activity; de-regulation (at least in name); liberalization, e.g. of capital flows; reductions in taxes; the cut back on welfare expenditures; a general retrenchment in public spending and so on.

But finally – and probably most importantly from the point of view of Vestergaard’s book – neo-liberalism is a definite political project: it presents a programme for governance (indeed, of ‘government’, as we will see). And this is where the book’s Foucauldian framework offers some very insightful analytical pointers, around what has come to be termed ‘advanced liberalism’. Although Foucault never used the term ‘advanced liberalism’ (though he does discuss neo-liberalism – see Tribe, 2009), this term has become associated with a certain Foucauldian scholarship, particularly in respect to the issue of the freedoms neo-liberalism both invokes and deploys (Rose, 1999; Rose & Miller, 2008), something I want to stress in connection to the book’s analysis. I would argue that neo-liberalism and advanced liberalism have now been fused together and provide a productive joint description of recent events.

Here the political project stresses the governance of liberty and freedom, or rather, better put, governance *through* liberty and freedom. For Foucault, then, it was not a matter of governing an already naturally free set of citizens, but one of constituting them as free so as to be governed as such. How do you
make agents or subjects free to govern themselves? As an aside, we could say that this would make certain self-declared liberals like Hayek (1960) and Berlin (1969) very uneasy. For them – but for Berlin in particular – this is a classic case of positive liberty, something despised and hated because it is seen as the quickest way to totalitarianism and tyranny. It is totalitarian and tyrannical regimes that try to force people be free.

Nevertheless this is what Vestergaard (following Foucault, Rose and Miller closely I would suggest) argues the neo-liberal political project does: it tries to construct freedom through disciplinization. This the book argues is a productive way of reading the move from the Washington Consensus to the post-Washington Consensus in the case of the international financial architecture (IFA). Later in this review I discuss what Vestergaard has to say about the transition from the Washington Consensus to the post-Washington Consensus but first I say something about the IFA as such. The IFA relied upon market discipline and a programme of liberalization, targeting economies not individuals, but celebrating the virtues of credibility, transparency and visibility. According to Vestergaard this has two main effects:

First, it makes possible the reconstruction of the economy as an object describable and analysable in terms of its vulnerabilities, its deviations from standards and benchmarks. As such economies are maintained in their individual features, in their particular evolution, under a gaze of a permanent corpus of knowledge. Second, it makes possible the construction of a comparative system – measuring, comparing, hierarchizing and determining gaps and distributions, in and amongst different groups of economies.

(p. 126, emphasis in the original).

This was a disciplinary task that the institutions of global economic governance grasped with enthusiasm, but along the way unwittingly deploying a conceptual apparatus driven by a Foucauldian framework that stresses liberty and freedom, liberalism and disciplinization. The conceptual apparatus involved the terms responsibilization, transparency and performance. These became the three prime technologies of (neo-liberal) governance; to responsibilize ‘independent’ agents (see below), to subject them to the dictates of transparency and to continually assess their performance in respect of this.

So here we have one of the paradoxes of neo-liberalism – our first paradox in fact – at least as viewed from the perspective of two of the most serious liberal thinkers like Hayek and Berlin. It was a governmental programme that tried to construct a liberal form of rule through a seemingly very non-liberal, or even illiberal, mechanism: the requirement to become ‘free’. Freedom was to be ensured through the deployment of an apparatus of governmental rule that was far from non-interventionist or that lacked authoritative judgement and enforcement.

But how was this particular political strategy played out? Following Vestergaard I stress several of its key features.
First, it involved ‘governance at a distance’. That means not intervening immediately to try to run things directly but trying to shape agents’ (in this case governments’) agendas and providing incentives for them to adapt their behaviour so as to govern themselves (what Vestergaard calls the ‘tactics of disciplinary power’, pp. 128–9). But such ‘governing of the self’ is undertaken in the context of shaping opportunity structures and making particular action spaces available for economies so as to enable them to seem to be governing themselves (rather than fulfilling the direct wishes of the global governance organizations), fostering an emphasis on self-governance, self-regulation, the self-enactment of their freedoms that the market system demanded.

And this involved the second aspect: the ‘responsibilization’ of agency. The stress is upon self-responsibility, but always shaped by the overall governing paradigmatic agenda (Thompson, 2008b). How was this done? It involved establishing, for ‘autonomous’ agencies or economies, benchmarks, norms, best practice procedures, transparent standards, objectives, targets, indicators of success and so on, which are then pressed upon agents and monitored at a distance, or self-monitored by themselves or associated agencies (like the EU or the UN system). Responsibilities served to activate all of this at a governmental level. But this programme did not just fall out of thin air or arrive as an alien, top-down process pressed upon domestic governments by outside agencies. Rather, it cleverly tapped into already well-entrenched and established discourses located at the ‘local’ level: about the need for an active citizenry, more participation in social life and a turn to a deliberative approach to political activity.

And this involved the third element of this technology of governance, the category of ‘performance’ central to the idea of ensuring responsibility. We are all increasingly monitored by, assessed in the name of, scrutinized by, rewarded and paid as a consequence of, congratulated and praised in the name of and, it must be said, energized and motivated by performance measures, indicators and standards. This is as true for individuals as for the providers of services or products, or, Vestergaard argues, for whole countries and economies (operating under the name of maintaining or enhancing ‘international competitiveness’). And, in as much as governments ‘willingly’ take part in these practices, they are in effect ‘freely’ performing and enacting this political neo-liberal project on themselves and others (and us, of course), almost unwittingly or unknowingly at times. It has become ingested and internalized into the unrecognized ‘subjectivities’ of governments and individual agencies, involving a continual examination by an observing hierarchy and a normalizing judgement (Vestergaard, p. 113).

In passing, it is worth noting that there is a real downside to this process. As the state is withdrawing its support in many areas and responsibilizing those left behind in its wake, it argues that it cannot help individual subjects directly. This is now too complex a task for state action alone. Individuals must learn to look after themselves, etc., learn to take responsibility for their own misjudgements and shortcomings. But what about those who either cannot
‘self-responsibilize’, help themselves in these terms or who refuse to do so? It leads to a politics of abandonment for those ‘left behind’ (Clarke, 2005). Large sections of the populace or of the world – while closely observed – are left just abandoned. And what is true for individual citizens is also true for whole countries if they break the Washington Consensus. They will be disciplined of course – cut off from international credit lines, for instance but ultimately it is their responsibility to ‘correct’ the policy mistakes that led to that course in the first place.

And here we arrive at the second consequential paradox. This involves trying to reconcile, on the one hand, an imagery of the market and its economic advantages as a self-fulfilling, natural and free mechanism which can be left to itself with the political project of governing for the self-enactment of freedom, on the other hand, involving all the mechanisms of scrutiny and implementation just described. As we now know, this double project literally fell apart. Vestergaard demonstrates how it could not be sustained and spectacularly collapsed. The irreconcilable paradox could not be overcome. And the whole history of neo-liberalism could be very fruitfully told through exploring the nature of this double paradox, I suspect – through a contrast between the forms of its economic project and its political project.

What is involved in the move from the Washington Consensus to the post-Washington Consensus?

In his analysis of the move from the Washington Consensus to the post-Washington Consensus in terms of the IFA Vestergaard makes some very telling observations which are worth carefully reflecting upon. He suggests that this involved moving from a programme of governing through exceptions towards an anti-exceptionalism. The Washington Consensus involved a country-by-country approach, where interventions (to solve balance-of-payments problems or resolve crises, for instance) were based upon specific country analysis and conditionality, i.e. exceptions. This emphasis on what were considered to be perfectly understandable and acceptable ‘exceptions’ (individual differences in economic circumstances) became the rule. But a rule to be ‘governed’ in the name of the general neo-liberal set of policy prescriptions and political programmes outlined above (i.e. that which became the ‘norm’). Although individual economic conditions were considered as such and structural adjustment programmes inaugurated accordingly to deal with those differential conditions, this was all done in the name of the norm of neo-liberal policy in its many guises. Here, then, the permanent exception became the norm, so the Washington Consensus normalized the permanent exception.

With the post-Washington Consensus, however, there is a move towards an anti-exceptionalism as the norm (a form of post-neoliberal normalization perhaps). This involved establishing the idea of a ‘proper economy’ and ‘good governance’ (Chapter 11), the single standards of which were applied
across the board to all countries. Thus there was governance at a distance through the mechanisms of responsibilization and performance monitoring discussed above, operationalized in this instance via the common standards of good governance and ‘proper economy’. Good governance refers to a root and branch reform of public, private and civil society institutions, bringing out those characteristics thought to be features of effective and democratic polities, like transparency, responsibility, participation, deliberation, etc. And ‘proper economy’ is the resulting reflection of these mechanisms in the conduct of economic relationships, associated with regularized capitalism, non-corruption, moderated regulatory activity by the state, non-discriminatory trade and investment policies. These constitute the new norms which are continually benchmarked and scrutinized for deviations, and appropriate disciplinary actions invoked.

I would add that this move from exceptionalism to anti-exceptionalism is a familiar one associated with the attempted substitution of difference by sameness, something that all fundamentalisms promote (as discussed at greater length in Thompson, 2006, 2008a). All fundamentalisms — secular or religious, so market fundamentalism is no different in this respect from Christian fundamentalism or nationalist fundamentalism — want to ensure sameness in the face of difference. Fundamentalists find the sources of conflict in differences and they want to eliminate such differences so as to ensure sameness, particularly everyone else being the same as them (and many fundamentalists are prepared to die to ensure this, of course). In the case of market fundamentalism being discussed here this manifests itself in the call for a ‘level playing field’ across the globe so everyone faces exactly the same conditions of competition, the need for common standards that apply to every situation and so on.

In the social sciences and humanities we are familiar with stressing the ‘D words’ as key to the analysis of sense making and understanding: diversity, differences, Derriderian difference and the Deleuzian differand, etc. But actually the problem is the ‘S word’: sameness (which is not quite the same as what Deleuze calls ‘repetition’ as the response to difference). This has been relatively neglected as an intellectual issue.

The paradox of liberalism more generally?

This section raises the final paradox, one associated with ‘sovereign power’. Vestergaard — largely following Foucault — argues that liberalism in its modern guise signals a move from coercive sovereign power to power seen as either ‘gaming’ — in the sense of always being in play and being negotiated and renegotiated strategically — or as the fostering of the self-rule discussed above in various ways. More generally this involves a move from power associated with ‘sovereignty’ to its association with ‘governmentality’ in Foucault’s terms. With the category of ‘governmentality’ Foucault was offering a critique of
sovereignty and of sovereign power. For Vestergaard, this also involves a critique of mercantilism as the quintessential economic policy associated with sovereignty (and absolutism, see below).

But I would like to offer a defence of sovereign power in the case of liberalism and try to re-emphasize the efficacy of sovereignty for the continued operation of liberalism, viewed as a calculative governmental programme (Thompson, 2005, 2007). One of the most alluring paradoxes of the emergence of liberalism in the aftermath of the religious wars in seventeenth-century Europe was that it ruthlessly criticized its own condition of existence. What was that condition of existence? Paradoxically, it was the relative social peace secured by its main enemy absolutism. I would argue that all liberal programmes of government, and Foucault’s ‘governmentality’ no less, rely upon relative social peace as their condition of existence. Without it they collapse. And this in turn relies upon some minimal operation of sovereignty, for the most part initially secured by absolutism.

What does sovereignty offer in respect to relative social peace? It does two things. First, internally and domestically it protects citizens from each other (and they need protecting from each other). And, second, externally and internationally it protects the citizens of one polity from those of another (and, here again, they need this protection). Thus it addresses the clear necessity of at least trying to ensure relative social peace in both arenas (of course it does not guarantee this, but, relative to the alternatives, it has proved moderately effective).

So there are some very positive things to be said for sovereign power and sovereignty in the modern world, and people will not give up these relative securities easily. Thus, it should not be forgotten, that liberalism itself is — I would suggest — founded on sovereign power despite the fact that — or perhaps precisely because of the fact that — it ruthlessly and continuously criticizes that sovereign power, its own condition of existence. I find this one of the most alluring paradoxes of liberalism, but one that has enormous analytical and political implications for our understanding of the modern world.

Finally, what of the fate of neo-liberalism? I do not think it will go away quickly or easily. In large part this has to do with its very success despite the spectacular collapse of its overall project. But in terms of reconstructing subjectivities — the taken-for-grantednesses of the popular imagination for instance — its legacy threatens to linger for a long time yet. People will not give up the idea (and practice) of ‘choice’ for instance; they like to have this level of control over their lives. And nor will the idea and practice of responsibilization and performance go away easily either. This has all been so thoroughly institutionalized that it has become part of our accepted daily practice and common sense. And, finally, neo-liberalism was in large part responsible for
instilling a long-term suspicion of politics and of politicians into the popular political imagination, so people will not readily hand back decision-making over the conditions of their daily lives to politicians. Thus, although the period of strict market fundamentalism and market hegemony may be over, market discipline may not be so readily dispatched. We live in a period of resigned, resentful and disaffected consent to market disciplining, I suspect, and will continue to do so for a long time yet. Vestergaard’s book serves to remind us of this despite his wish to see a thorough reform of the IFA in the wake of the disastrous experiment that was the ‘long moderation’.

Notes

1 This review is based directly on the remarks I made at the launch meeting for this book held at the Danish Institute for International Studies, 3 June 2009, in Copenhagen under the title ‘Global Governance and the Paradoxes of Liberalism’. This title for the meeting explains the particular focus of my comments.

2 The international financial architecture (IFA) refers to the framework for operation of the international bodies and mechanisms that help manage international monetary relationships, particularly as designed to react to and prevent economic crises (for details, see tgqc://www.worldbank.org/ifa).

The Washington Consensus was a term originally coined by John Williamson (1990, 2000) to describe the standard package of measures promoted by the World Bank, the IMF and the US Treasury Department designed to promote structural reform in, and market-driven responses to, crisis-ridden developing and emerging economies in the main. It involved two central policy packages: ‘conditionality’ and ‘structural adjustment programmes’. The first of these is the principle that a country must meet certain criteria (usually economic or political reform) to gain access to loans, debt rescheduling, debt reduction and, in some cases, aid. The second involved structural adjustment policies and loans promoted by the World Bank. These are designed to encourage the structural adjustment of an economy by, for example, removing ‘excessive’ government controls and promoting market competition as part of the neo-liberal agenda followed by the Bank and the IMF.

By the late 1990s these policies began to be recognized as failing in various ways, and were heavily criticized by such figures as Joseph Stiglitz (2004) and Dani Rodrik (2006). Although a little more difficult to characterize succinctly the post-Washington Consensus marked out by these critics involved a ‘third-way’ type challenge to neo-liberalism on the basis of innovative mainstream economic analysis, combined with an attempt to incorporate the fundamental ideas of modernization theory into the heart of development policy-making on the basis of 1990s participatory rhetoric, all set alongside an attempt to revive the largely dormant idea that development is about producing a real transformation through interventionist policies (just taxes, social policies for the poor, production of public goods and so on). It was developed in a conscious effort to renew the nature of the IFA to deal appropriately with the vagaries of ‘globalization’. As an aid to understanding Vestergaard’s book and the key terms it deploys, Table 1 summarizes this reviewer’s take on the Washington Consensus and the post-Washington Consensus.
Table 1 The Washington Consensus and post-Washington Consensus compared

<table>
<thead>
<tr>
<th>Washington Consensus</th>
<th>Post-Washington Consensus</th>
</tr>
</thead>
<tbody>
<tr>
<td>Macro-economic conditions</td>
<td>Micro-economic conditions</td>
</tr>
<tr>
<td>‘Public-sector reform’ focus</td>
<td>‘Private-sector reform’ focus</td>
</tr>
<tr>
<td>‘Get the prices right’ (non-governance)</td>
<td>‘Get the institutions right’ (good governance)</td>
</tr>
<tr>
<td>Privatization/deregulation</td>
<td>Upgrading/re-regulation</td>
</tr>
<tr>
<td>Market as ‘natural’</td>
<td>Market as ‘constructed’</td>
</tr>
<tr>
<td>Classically neo-liberal</td>
<td>More social democratic</td>
</tr>
<tr>
<td>Non-surveillance</td>
<td>Self-surveillance/self-monitoring</td>
</tr>
</tbody>
</table>

References


**Grahame F. Thompson** is Professor of Political Economy at the Open University, England. His most recent books are *Between hierarchies and markets: The logic and limits of network forms of organization* (Oxford University Press, 2003), *Politics and power in the UK*, edited with Richard Heffernan (Edinburgh University Press, 2004) and *Globalization in question*, (3rd edition), with Paul Hirst and Simon Bromley (Polity Press, 2009). In addition, he is a visiting Professorial Research Fellow at the Copenhagen Business School, Denmark, where he is preparing a book under the title: *The constitutionalization of the global corporate sphere?*