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Globalists: The End of Empire and the Birth of Neoliberalism

by **Quinn Slobodian**

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Vienna, Freiburg, London, Chicago - this is the traditional map of emergence of “neoliberalism”¹. Most scientists follow this intellectual itinerary, with a possible addition of “Colloque Walter Lippmann” (1938) that was associated with the French capital. Quinn Slobodian, who clearly knows the socio-economic dynamics of Central Europe very well, claims something else and introduces a new center: Geneva, or “Geneva School” in a broad sense of the word, with people such as Wilhelm Röpke, Ludwig von Mises, Michael Heilperin, Friedrich Hayek, Lionel Robbins, Gottfried Haberler, Jan Tumlir, Frieder Roessler, and Ulrich Petersmann.

This gave birth not only to a new location in the geography of neo-liberalism, but to a *real center* which reflects some contents that define the dynamics of neoliberalism. Although Hayek et al. are the subject of discussion here, Slobodian is cautious enough not to fall into the trap of overestimating the influence of certain theoreticians, or to attribute direct causality to conceptual articulations (though he introduces us to the implications of Mises’ private seminar, for instance). We cannot attribute omnipotence to neoliberal theoreticians who form economic or legal theories, or to institutionalized neoliberalism, which is usually attributed to the influence of those theoreticians who found themselves in Mont Pèlerin in 1947. However, there is still the problem of lack of explanation of neoliberalism genesis that would encompass complex conceptual and institutional determinations, which also entails the possibility of translating neoliberal design into institutional praxis. The same stands for the question in the title of one of Mises’ seminars: “How to build a bridge between economic theory and economic policy?”

This book presents a broad and a truly dense narrative of the so far unknown or less known details and personalities of neoliberalism. It guides us through international institutions (GATT, WTO) that shape neoliberal design in the twentieth century, revealing economists and jurists who use their influence and “symbolic capital” to shape

¹ The term is, of course, debatable, and some even do not accept it but the author uses it.

the current situation. Accordingly, it belongs to a series of such books that have lately focused on the historicity of neoliberalism.

This is, however, far from just a genealogy that reports on the chronological history of a phenomenon. Slobodian delves into conceptual areas, so he finds it appropriate to conceptualize neo-liberalism itself, which is, here, not a product of some excessive individualistic economic philosophy, nor is it the outcome of uncritical enthusiasm about the market. It actually seems like a provocation when Slobodian brings neoliberalism and John Maynard Keynes, as well as Karl Polanyi in close proximity, of course, to *mutatis mutandis*. Everyone has the same starting point: the market is not self-referential; it must be designed externally, with “meta-economic” measures. Neoliberalism also emerges as a combination of such measures or mechanisms that order the market, or more precisely, the world market that neoliberalism cares about since at least the end of World War I (“order”: this is the term that Slobodian has taken over from German ordoliberalists; he also refers to “ordoglobalism” and predicts dissemination of ordoliberalism onto the world stage - thus risking to have the differences between ordoliberal and “classical” neoliberals faded).

Thus, not even Hayek, who must play a significant role in the book, emerges as a champion of individual freedom which is unrestrictedly gained in the market, but as a thinker who ponders about various forms of market ordering: his theoretical endeavors relating to cybernetics and evolution theory testify that. It will disappoint all those (neo)liberals today who call on Hayek to affirm the *a priori* set individual freedoms *vis-à-vis* the market. He who wants to understand neoliberalism should let go of his excessive belief in the market, in the utopia of the market: this notation criticizes both apologists of neoliberalism and many critics. Although we cannot deny that Hayek emphasizes “self-regulating forces of the market” the question always arises as to what exactly “market as *social institution*” really means (my emphasis).

Who are the “market enforcers”? Who represents the enforcing, the “blueprint” of market-based norms? Who is the “rule-making authority”? How much illiberalism does it take to make neoliberalism work? This creates a constant balancing between economy and politics, capitalism and democracy, or political equality - this last phenomenon is already constantly suspected as a barrier to market economy.

I have no doubt that most critics will easily go beyond the notion of “meta-economic” measures and will gladly add *à la* neoinstitutionalism: *yes*, market economy works only with a legal framework. *However*, this does not solve the problem; it only eliminates it: the legal framework appears only as a second-order expression, which is also a subject of basic ordering. Sliding and oscillating between “minimal state” (Hayek) and “strong state” (German ordoliberalists) as the carrier of ordering, would be an appropriate representation of this problem. Again, the intriguing analogy mentioned above emerges: neo-liberals want the same as advocated by the critically-minded Polanyi: re-embedding of the market. The issue of neoliberalism of Geneva School addresses (among others) *economists* as well and they could (if willing to do so) draw lessons about the inadequacy, incompleteness of their discipline: though neo-liberals think the knot can be resolved once and for all with a firm articulation of the relationship between economics and law, that is, with a fix between one discipline and another. Politics is always introduced as a “meta-economic” mechanism which allows us to speak in the necessary, inevitable presence of political economy.

In any case, neo-liberals want the projection of world governance, extension of the “economic constitution” to the whole world, that is, the globalization of positioning the market economy at a constitutional level. It is a market-biased world governance that is installed beyond national state (or, we can say deconstruction of national sovereignty) and implicitly implements “enforceable world law”. The fact that neoliberals claim that a certain deficit of socialism is caused (among other things) by its embeddedness in national sovereignty is an expression of their deepest convictions. Just as mass democracy with the universal suffrage proves to be a nuisance, so are particular national borders an obstacle to the transience of the world economy. How to limit the excesses of modern democracy and national logic in order to realize the unrestricted flow of goods or exhausted system of market economizing?

According to Slobodian, Geneva-style of neoliberalism is ordoliberalism transposed to the level of the planet, in fact, a global economic constitutionalism. The liberalization of the world economy implies not only the reduced influence of politics on the collective organization of human life, which would entail the derogation of politics as a framework for human community, but also the demythologization of the nation as a determining framework for economy. If social democrats of all kinds thought that capitalism must be domesticated because it contains the germ of excess (“capitalism must be protected from itself”), neoliberals detract from any domestication of capitalism: it must be secured from the claims relating to social justice and, generally, from redistributive regressions. Haberler, a significant participant on Slobodian’s scene which consists of various figures, makes it very clear: social frictions are better than volatility of inflationary processes. Admittedly, Haberler is somewhat more lenient in terms of nation-state (it is “container for labor”), but his anti-inflationary views strictly follow Mises and Hayek.

The narrative begins with the aftermath of World War I and, instead of Chicago School or Virginia School whose perspectives rely on seeing the world through an American prism (that is, to be clear, they don’t see it at all) it offers a view focused on Central Europe. We know that after the end of the war, the multinational Habsburg Monarchy fell apart - for Geneva-neoliberalism it was a model of transnational economic creation that could serve as a model for the whole world. We could also read this book as an affirmation of the old thesis that we are still in the shadow of World War I. Slobodian takes the reader in different directions: there are interesting details from the lives of Mises and others, as well as socio-economic details that deserve attention, or the relationship between the *maître-penseur* of neoliberalism. There is also an accurate portrayal of the post-war scene abundant in little-known but significant forms of communications not only between the theorists such as Mises and Hayek, but also between many businessmen who were then on similar paths as later neoliberals. Still, I cannot reproduce all this; it is enough to say that all these movements have been interpreted in order to present the breakthrough of neoliberalism. Of course, neoliberals know that no *restitutio in integrum* is possible, but they hope that a new, unified world economy is projected. Admittedly, the *League of Nations* promotes the desirability of liberalism, but it does it moderately, that is, it makes a compromise with the principles of self-determination. It, therefore, contributes to the confusion because it does not advocate a resulting global economic liberalism. Neoliberals from Vienna (Mises, in particular) are concerned about the rise of unions (“Red Vienna” sounds as

a negative paradigm) that provide support for workers who do not want to bear the costs of liberal consolidation. So, there is an arch of interpretation stretching from the Habsburgs to the European Competition Law and the WTO as the culmination of neoliberal ideas about some kind of world federation. This situation is determined by the haunting of the world economy with the dangers of disintegration: a neoliberal economist emerges as a savior who wants to recover what was lost by the various breakthroughs of the 20th century, and who is also a traditionalist in the sense of defending a fallen liberal tradition that should now be given a new look.

In the meantime, an eruption of the Great Crisis occurred in the late 1920s and it was viewed with anxiety by neo-liberals: it was possible that some of the positive tendencies after World War I could be re-destroyed. The various traits attributed to the phenomenon of “unity of the world” (“economic unity”, “economic globalization”, etc.) indicate the normative horizon for neoliberals, but that horizon has now been shaken. Neoliberals have only harsh words for the resulting constellation. The situation carries extreme dangers; it requires global solutions.

Thus, the problem of neoliberal articulation of the world as an (economic) totality arises. It is not just a question of more or less successful economic technique. In the same period, neo-liberal economists emerged as interpreters of business cycles, that is, interpreters of periodic occurrences of certain tendencies that could be treated statistically. They become part of communication networks that discuss the collection and dissemination of information, and they make connections which are relevant for the facts that could form the basis of neoliberal theory. Slobodian shows in an extremely interesting way intense attempts to visualize the economy after World War I. Namely, there is no economic discourse without its self-visualization, without its visual rhetoric. The modalities of economic technique are not self-explanatory; the Geneva neo-liberals have always known it. Slobodian literally argues that neoliberalism was born in the context of seeking adequate observation of the world, within the attempts to capture the world with statistics. If the Geneva neo-liberals were facing political issues when addressing the emergence of unions in the 1920s, we have now an epistemological question arising.

Still, most relevant for us is the paradoxical outcome that affects neoliberals. Namely, we are here testing another point that can provoke today’s economists: neoliberals, says Slobodian quite rightly, view the possibly reintegrated world economy as “sublime”. This term, more related to aesthetics in the opinion of some, suggests that, for neoliberals such as Mises and Hayek, the world economy is *beyond representation*. Neoliberals start the process of research on the cycle in order to understand the logic of oscillation in economic life. Standard understanding here tends to present infinite progress: economic technique cumulatively advances and sharpens the perspective of economists who could eventually present the unstoppable economic dynamics with unprecedented precision.

Yet, there is something else going on here. The said utopia of the progress of economic technique is being abandoned. Consequently, one cannot avoid the question posed in the book: is there a world economy at all? Or is it merely a virtual projection?

In spite of the exploration of business cycles and relevant quantitative data in the 1920s, neo-liberals concluded that the world economy is *beyond quantitative interpretations*, but also *beyond knowledge* that can claim its subject. So, Hayek, with a

strong skepticism about economic statistics, emphasizes that the totality of economic flows escapes the gaze and appropriation acts of the economic observer - I should only mention that this is one of the moments that initiate the debate whether Hayek is a heterodox economist or not. In any case, should we speak fairly about the world economy, which is a complex set of interdependencies, agnosticism must be accepted. Neither mathematical rigorous formulas nor graphical schemes (Kindleberger-spiral, for example) are able to exhaust the totality of economic developments. A necessary dimension of this problem is the deconstruction of economic theory, the “economic view” of things in terms of technical expertise. Hayek was interested in looking at the possibilities of quantitative articulation of data, so he visited the National Bureau of Economic Research where he made an extremely good impression and returned to Austria (where he became director of the Austrian Business Cycle Research Institute) with a belief that differed from his later claims.

To give up the quantitative aspect of the knowledge-promising whole is a classic neoliberal endeavor that also affects many postulates of today’s economic science which tends to operate with non-debatable facts. Slobodian’s merit is that he notices the far-reaching nature of this moment and gives it enough attention and does not relativize the significance of the moment. Mises and Hayek, as young theorists, have also put the economist on the throne of modern knowledge; economic knowledge of the transparency of knowledge on modernity dynamics is substantial. In the context of business cycles engagement, the classic liberal stance on privacy has even been reversed; now, the hero is the businessman who gives up privacy and opens the books for insight in order to allow information to flow. Anyhow, as I said, the agnostic outcome calls into question the utopia of knowledge transparency. It starts with believing in numbers and ends with rejecting numbers as a basis for embracing the whole. There is no such observation point from which a theorist can testify about living economic totality. There is a “knowledge problem”: there is no perfect market, warned Hayek in 1937 in London, because there is no perfect knowledge either. Economists who think too much about themselves confuse their own models with the “real world”. The exit route is a legally framed free price system, without the utopia of knowledge; moreover, Hayek inserts a claim that is still attention-grabbing: there is undeniable relevance of ignorance and “not-knowing”. Mises’ *expressis verbis* says: statistics has “nothing to do with economics”.

How much of ignorance? How much of not-knowing is necessary for the economy to function? This is actually a real question and one should barely insist on the provocative questions about these problems. An economist might need to be an aesthetic and see the “sublimity” of economic dynamics. But Slobodian emphasizes negative theology as a model for understanding neoliberal articulation of economy. The economist is like a negative theologian who does not find a single attribute to describe God.

Neoliberals find law as a path that can solve the problem of uncontrollability of a liberal society. It is the path that leads many economists to the domain of legality. But, as said before, the law is affirmed not on a national but on a global scale. Likewise, Austrian economics with a neoliberal mark will synthesize a subjective understanding of value with philosophy of law. The “world of rights” is projected but “against human rights, they posed the human rights of capital” (p. 125). The institutional framework

of empire of rights is realized through a synthesis of economics and law that together support the smooth functioning of capitalism.

Still, one should not overlook the fact that in the meantime, the meaning of globalization has changed: today, that meaning has been attached to US hegemony, but it was not so in the 1930s. Neoliberals, of course, write intensely about a supranational federation: it is a projected framework for a liberated economy. The author of this book raises the question of how it is possible for the residents of small states to be keen supporters of supranational structures? Presented federalism is a legal-economic construction that sets a liberalized economy at a constitutional level and destroys economic nationalism. It is only a supranational construction that is able to stand in the way of Wilson's hypostasis of national self-determination. Of course, there are crucial differences among the theorists presented here: Germans like Rüstow (also "neoliberal") fear that existing tendencies would undermine communitarianism, which is not the case with the Austrians. There are significant nuances in the understanding of economic dimension of a nation. However, this does not change the main situation which is that supranationality emerges as a substantive endeavor for all. Without that, we would not be able to explain the influence of German ordoliberals on the genesis of the European Union. Hence the criticism of Breton Woods, Havana Charter, and the "mainstream" theory of development in general: it is all just an expression of different delusions, delusions of national autonomy, or impulses from mass democracy.

Slobodian introduces here another novelty in the interpretations of neoliberalism: emphasis on the historical context of decolonization. I have never read a similar book that points so heavily to the importance of the post-colonial condition for the success of neoliberal projections. The torturous episode with Röpke, to which Slobodian pays special attention (though the views of the German cannot be generalized²), shows how astray neoliberals went: Röpke sees in racist South Africa and Rhodesia a terrain for trying out neoliberal ideas. So he affirms the apartheid (he argued for "white South Africa", and claimed that "apartheid is not oppressive") despite the continued criticism by international organizations of the racial hierarchy's practices. Consequently, the neoliberal Röpke (with the halo of a one-of-a-kind attitude about racism among his colleagues) becomes a highly respected figure for politicians in South Africa who arranged for quick translations of his works. Slobodian convinces us that to such an important neoliberal movement representative as Röpke, decolonization with the promise of democratization was more dangerous compared to a gigantic opponent, the Soviet Union. Although Hayek was clear about condemning the racial regime, he too criticized the international organizations that were seeking sanctions to force South Africa's leaders to change their policies; neo-liberals went against international consensus. Röpke, who attacked the pillars of the New Deal and vehemently attacked "fiscal socialism", just as he criticized both Galbraith and Rostow, was otherwise a favorite of American conservatives and he was greatly respected by pro-market business journals (he was heavily promoted by the *Wall Street Journal*). He spoke openly that "economically equal world is impossible" and that race is also an economic category, which casts a shadow on the belief that the market is "color-blind".

² We should take into account that Mises, too, has problems with expansion of the cosmopolitan attitude to "populations of colour" (Quinn Slobodian 2019).

In fact, decolonization for neoliberals is a challenge to democratization that they would prefer to reverse in terms of “consumer democracy”. The processes raise all those issues that have been the subject of genuine neo-liberal interest. Thus, Robbins saw the necessary interplay between decolonization and planning-biased processes. He proposes the following: “*deplanning*”. Both Hayek and Robbins were members of the Federal Union, a 12,000-member organization: the former argued that “free flow of goods” could prevent the interventionism that always originated in the nation-state. So, here is the project of “*denationalism*”: “open world economy” determined by political federation in order to block the intervention-based practice. The neoliberal federation as an “anti-planning” framework successfully resists all the dangers of decolonization.

Slobodian shows nicely how (especially) the Austrians wanted to rework the experience of the Habsburg Monarchy, that is, how the practice of a proto-modernizing multinational state became a template for neoliberal federation. The idealization of the said monarchy has become a tool for the neoliberalisation of world relations. There was no identity between economic and political units in the Habsburg Monarchy: this is precisely the basis for rethinking the relations in a world dominated by neoliberal rationality. This is the most favorable outcome of the world conflict between the nation-state, as a collective organization, and the unfettered world economy. It would be wrong to believe that only the Austrians invoked the ideal of the Habsburg Monarchy: so did Robbins when he described the abolition of the monarchy as a negative paradigm for decolonization. Full national sovereignty must be prevented: that is what neoliberals want. They are the critics of national sovereignty; they believe that both the individual and the world economy must defend themselves from the mentioned form of sovereignty.

Finally, the reader can learn from this book; the researcher of the paths of neoliberalism can delve into various details and relationships between different theorists who can help to reconceptualize the mentioned orientation. To put it clearly: researchers of neoliberalism cannot ignore this book which expertly presents neoliberal liveliness after World War I and influences the course of the whole century. Projects, coordination mechanisms, collective search for solutions, and frequent conferences (the third and fourth decades of the 20th century are abundant in them) are all expressions of engagement in the remodeling of liberalism. Slobodian elegantly demonstrates neoliberal contradictions and devotes unusual amount of time to the historization of neoliberalism: we must return to the post-World War I situation and map the roads that intersect (not in the USA, but) in Geneva. It is about de-Americanizing neoliberalism. In any case, the best neoliberal roads lead to Geneva. In other words, neoliberal dissemination could not be imagined without Central Europe, and this book definitely proves it. The success of this book lies in its ability to address both the critics of neoliberalism and those who defend it - at least in such a way as to deny its existence by claiming that it was just a bayou of renewed liberalism that had been dying at the beginning of the 20th century. The book does not make it easy for anyone to decide on the pro or con of neoliberalism, but this is what makes the good books good: they are thought-provoking instead of offering pacification.

References

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