

## **CONTESTING ‘ACTUALLY EXISTING’ NEOLIBERALISM**

**Matthew Ryan**

The dominant conceptualisation of ‘neoliberalism’ is centred on ‘free markets’ and ‘small states’. This understanding of neoliberalism – ‘free-market neoliberalism’ – is widespread, within both academic and popular circles. Steger and Roy’s claim that ‘neoliberals across the globe share a common belief in the power of ‘self-regulating’ free markets to create a better world’ (2010: x) typifies this understanding. It is not only scholars that have characterised neoliberalism as a ‘free-market’ doctrine; so too have the ostensible political opponents of the neoliberal project (e.g. Rudd, 2009; Swan, 2014; Aly, 2014). This article argues that this understanding of neoliberalism fails to accurately capture the realities of the contemporary political economy. At stake is a diagnosis of the weak critical power of challenges to neoliberalism that go after the wrong target, doing battle with versions of neoliberalism that bear an only tenuous relationship to the ‘realities’ of neoliberal policy agendas.

Against ‘free-market’ conceptions; an emphasis on ‘actually existing neoliberalism’ can be a more useful understanding (Brenner and Theodore, 2002; Peck and Tickell, 2002; Cahill 2010; Peck, Theodore and Brenner, 2012a; Cahill, 2012). This conceptualisation presents an opportunity for more effective criticism of neoliberal policy. Rather than assuming that neoliberal ideas and practices are synonymous, the methodological approach here is an empirical one, following Konings, that: ‘in order to uncover the nature of neoliberal practices we need to shift to a conceptual register not shaped by neoliberal free-market discourse – to a framework that allows us to see what such practices affect and do rather than say and project’ (2012: 55). This contrasts with the approach exemplified by Steger and Roy in which neoliberal ideas are taken as representative of the policies introduced in their name by successive neoliberal governments.

However, this article also looks to develop further the existing understanding of ‘actually existing neoliberalism’. Whereas those who write on ‘actually existing neoliberalism’ tend to treat neoliberal practice as uneven – spatially and temporally variegated (Peck, Theodore and Brenner, 2012a; Dumenil and Levy, 2012), neoliberal ‘theory’ is too often treated as monolithic or universal. This article seeks to expand upon the established conception of ‘actually existing neoliberalism’, strengthening its ideational focus, suggesting that neoliberal ‘theory’ is itself a complex, heterogeneous and contradictory body of thought. With a deeper understanding of this complex relationship between heterogeneous theoretical postulates and the uneven material realities of practice, the article aims to develop the framework of ‘actually existing neoliberalism’ into an even stronger conceptual tool.

The first section considers the nature of ‘neoliberal theory’ and how it has often been (mis)interpreted. With this ideational framework established, we then turn to consider the ‘disjuncture’ that plays out in the realm of practice, as is emphasized by the ‘actually existing neoliberalism’ approach. Finally, with this broad conceptual ground outlined, we consider some empirical examples within the Australian context, allowing us to ‘road test’ the conceptual apparatus of ‘actually existing neoliberalism’. This illustrates that, while one inflection of neoliberal ‘theory’ can be found in the rhetoric of the former Abbott government, the actual policies pursued were disconnected from this discursive framing and, in fact, closer to a second inflection within neoliberal theory that ascribes a more positive role to the state. Nevertheless this article argues that, in many cases, neoliberal practice diverges from neoliberal theory and that ‘actually existing neoliberalism’ provides an important conceptual tool for understanding neoliberalism, and the way it is shaped by ideas, interests and inherited institutional constraints. This is significant for framing criticisms of neoliberalism – and alternatives to it – in a more effective and useful manner.

### **Neoliberal ‘Double Truth’**

Neoliberal theory is the collective term given to the utopian normative vision promulgated by thinkers such as Friedrich Hayek (1973; 1978a; 2001 [1944]), Milton Friedman (1962; 1980), and Robert Nozick (1977). This theory is generally understood as presenting the market as the most

efficient way to organise society. Flowing on from this portrayal of the market as an omniscient information processor is an argument to limit or remove forces that could distort this market utopia, such as state intervention in the spontaneous and omniscient market. This, in essence, is the 'free-market' understanding of neoliberalism that has largely captured the discourses of both the critics and proponents of neoliberalism. Counter to these simplistic narratives – employed by both critics and advocates – it is more useful to regard 'neoliberal theory' as a heterogeneous body of thought which is defined by contradictory ontologies and normative implications.

Indeed, neoliberalism as a political theory and philosophy is a remarkably incoherent body of thought. Many inconsistencies revolve around ideas such as: the ontological nature of the market; the ideal role and formation of the state; the possibility of truth outside of the omniscient market; and the problem of achieving liberal goals through illiberal and hierarchical means. For our purposes here those inconsistencies will be dichotomised with a Straussian methodology of 'double truth' (Smith, 2009: 3) – distinguishing between *esoteric* and *exoteric* neoliberalisms. The theory suggested by Philip Mirowski is that there is an ideational structure within the 'Neoliberal Thought Collective' which maintains two different versions of 'truth' (Mirowski, 2013). For Mirowski, the *exoteric* doctrine is the well-known narrative of the mythical properties of the free market, used to regale the masses. In contrast, within the *esoteric* doctrine more complex stories of market creation and the tensions between neoliberalism and democracy are shared within a small closed elite. Mirowski suggests the metaphor of a 'Russian doll' to illustrate this ideational structure, with the layers of the doll closer to the center holding closer to the *esoteric* doctrine. The interplay of the *esoteric* and the *exoteric* is articulated by Mirowski:

An intellectual thought collective might actually concede that, as a corollary of its developed understanding of politics, it would be necessary to maintain an *exoteric* version of its doctrine for the masses – because that would be safer for the world and more beneficial for ordinary society – but simultaneously hold fast to an *esoteric* doctrine for a small closed elite, envisioned as the keepers of the flame of the collective's wisdom (Mirowski, 2013: 68).

This argument is elaborated by Mirowski and Plehwe (2009) and Mirowski (2013) through extensive ideational archeology, and a close analysis of the links between the many neoliberal think tanks and institutions.

In this understanding of neoliberalism, however, there *is no disjuncture between theory and practice* – all variation exists on an ideational level, with practice often holding closer to the normative vision of the *esoteric* doctrine. While it has been argued that the ‘double truth’ hypothesis is completely at odds with the ‘actually existing’ approach, the contention here is that both approaches are useful, but limited, and it is our purpose here to attempt a reconciliation between the two. Before that is attempted, however, let us consider some of the points of ideational conflict which prompt the ‘double truth’ reading.

Consider the contentious issue of the role of the state within neoliberal ideology. A quintessential example of the dominant ‘small state’ prescription can be seen in Robert Nozick, who thought that the role of the state should be:

limited to the narrow functions of protection against force, theft, fraud, enforcement of contracts and so on...any more extensive state will violate persons’ rights not to be forced to do certain things, and is unjustified; and that the minimal state is inspiring as well as right (1977: ix).

Thus we have the ideological foundation of ‘free-market’, or *exoteric*, neoliberalism. But to suggest that the ‘night-watchman’ minimalist state is the singular role given to the state by neoliberal thinkers would be overly simplistic. Rather, the role of the state is complex and contradictory. Even Hayek conceded the necessity of a welfare state:

There is no reason why in a free society government should not assure to all, protection against severe deprivation in the form of an assured minimum income, or a floor below which nobody need descend. To enter into such an insurance against extreme misfortune may well be in the interest of all; or it may be felt to be a clear moral duty of all to assist, within the organised community, those who cannot help themselves (Hayek, 1978a: 87).

Hayek justified this role for the state by suggesting that welfare provision could exist ‘outside of the market’, and so a minimum income would not

impact the operation of the market. But, as Keynes posed in a letter to Hayek, how does one demarcate between legitimate and illegitimate state activities? Where does the market start and finish?

An answer to that question is highly problematic, but certainly, if one reads Hayek alongside Nozick, there is tension in the way the role of the state is presented. It is the contention of Mirowski that the normative 'free market' and 'small state' are aspects of *exoteric* neoliberalism, whilst those operating in *esoteric* circles are well aware of the necessity of state action – sometimes for essential welfare services, but often (in practice) for the extension of markets and the promotion of capital accumulation. The limitation in this approach is that the many contradictions of practice cannot fully be explained by ideas – this will be discussed further on.

Looking more deeply, the role of the state flows directly from one's ontological understanding of the market: if you see the market as ontologically spontaneous and omniscient, then you will surely look to limit the role of the state as much as possible; if you see the market as desirable but ontologically in constant need of definition and creation, then you will most likely see the role of the state as necessary in facilitating and promoting market rule. Again, this fundamental aspect of a political economic philosophy – the ontological nature of the market – is inconsistently addressed. A simplistic *exoteric* vision of the market is provided by Milton and Rose Friedman:

Adam Smith's flash of genius was his recognition that the prices that emerged from voluntary transactions between buyers and sellers – for short, in a free market – could coordinate the activity of millions of people, each seeking his own interest, in such a way as to make everyone better off (Friedman & Friedman, 1980: 13-14).

However, the occurrence of the 'free market' is far more complex than Friedman implies. Consider the deeper ontological issue – if the market is a spontaneously occurring phenomenon, a direct product of individual freedoms, then why has the perfect market not already occurred? How is it possible to deal with the contradiction in the idea of using the institution of the state to create the perfect free-market order? Or, to put it more starkly, neoliberalism attempts 'to portray the market as something natural, yet simultaneously in need of solicitous attention to continually reconstruct it' (Mirowski, 2013: 69). If we go deeper into the

*esoteric* doctrine of neoliberalism, we can see that this ontological contradiction being acknowledged, but certainly not resolved. As Hayek concedes:

While the rules on which a spontaneous order rests may also be of spontaneous origin, this need not always be the case... it is possible that an order which would still have to be described as spontaneous rests on rules which were entirely the result of deliberate design (Hayek, 1973: 45-46).

Here Hayek is attempting to suggest (unconvincingly) that a spontaneous market order can be designed and created, whilst still being spontaneous.

A complete account of the history of neoliberal thought is outside the scope of this article, though the above quotations serve to indicate the often contradictory relationship between *esoteric* and *exoteric* doctrines. This ideational tension is, however, rarely acknowledged. Moreover, among popular critics of neoliberalism, the majority are captured by the *exoteric* doctrine of 'free marketeers', treating those ideas as central to their criticism of neoliberalism. Some examples of such a conception are the following statements:

... neo-liberalism – that particular brand of free-market fundamentalism, extreme capitalism and excessive greed which became the economic orthodoxy of our time (Rudd, 2009: 1).

Neoliberalism – or the belief in the sufficiency of markets to secure human welfare – [is] the age's default ideology (Kunkel, 2009).

Neoliberalism advances individualism in terms of making choices and taking initiatives, the primacy of the market in *laissez faire* conditions, minimal state intervention in economic matters... (Zafarullah & Huque, 2012: 21).

It is these *exoteric* representations of neoliberalism that permeate discussions of 'free-market neoliberalism'. Unfortunately, the target of these critical appraisals is an ideological opponent which has little basis in empirical reality. It is this inability of criticisms to engage with realities that accounts for much of the success of neoliberalism (Baker, 2008; Galbraith, 2008). Let us now consider an alternative conceptualization with more critical potential.

### **'Actually Existing Neoliberalism'**

Against the dominant 'free-market' conception stands an alternative approach – 'actually existing neoliberalism'. The term is an allusion to 'actually existing socialism', the phrase coined in the literature on interpreting how countries like the USSR, eastern Europe, and the PRC deviated from socialist ideals. The concept of 'actually existing neoliberalism' originates in the work of Neil Brenner and Nik Theodore (2002) and Jamie Peck and Adam Tickell (2002) and focuses attention on the differences between neoliberal ideas and practice. As the former writers state,

While neoliberalism aspires to create a 'utopia' of free markets liberated from all forms of state interference, it has in practice entailed a dramatic intensification of coercive, disciplinary forms of state intervention in order to impose market rule... [The term] highlight[s] ways in which neoliberal ideology systematically misrepresents the real effects of such policies on macroinstitutional structures and evolutionary trajectories of capitalism (Brenner and Theodore, 2002: 352-353).

That is, neoliberal ideology (or theory) represents something entirely different from the actual policies and institutional frameworks shaped during the 'neoliberal period'. More specifically, the most fundamental divergence from theory is in the role played by the state in creating and recreating neoliberal markets (Harvey, 2005; Porfilo, 2007).

The 'actually existing' approach is distinct from Mirowski's ideational approach, it needs to be noted. In the former the divergence is between theory and practice, whereas in the latter it is between representations of the role of the state across neoliberal theory (where the 'neoliberal theory' is understood as representing *exoteric* ideas). I argue that the failure of the 'actually existing neoliberalism' conceptualization to acknowledge the divergence that Mirowski addresses is a serious limitation.

Contrary to 'free market' ideas, the state has played an active role in neoliberal practice. This tension is, however, no surprise when the development of capitalism is viewed through a historical lens – 'an historical approach reveals that states have been integral to the development and expanded reproduction of capitalism' (Cahill, 2010: 306). Two scholars who, at different times, have emphasized the

essential role of the state in capitalist development are Karl Polanyi (2001 [1944]) and Ha-Joon Chang (2010). Their ideas resonate strongly in this context.

Polanyi's *The Great Transformation*, published in 1944, was a critique of the nineteenth century experience with '*laissez faire*' capitalism. While that period is often characterised as largely free of regulatory intervention by the state, Polanyi's empirical approach revealed 'an enormous increase in continuous, centrally organised and controlled interventionism' (Polanyi, 2001 [1944]: 146). While it focused on this specific time period, and was published well before neoliberalism became the hegemonic form of governance, *The Great Transformation* is a seminal text. Crucially, it paints a counter-narrative to those which have suggested that the market is ontologically spontaneous, and that a period often pointed to as an example of the merits of market order was actually defined by significant state intervention. The other reason Polanyi is so relevant here is that he illustrates the importance of criticism engaging with an actually existing reality. Polanyi's contemporaries who criticized *laissez faire* on its own idealist grounds were ineffectual, and have been largely forgotten. *The Great Transformation*, on the other hand, embodies the materialistic methodology which defines 'actually existing neoliberalism'

Chang makes a similar claim to Polanyi's refutation of 'free-market' narratives in even simpler terms – 'there is no such thing as a free market'. For Chang, 'a market looks free only because we so unconditionally accept its underlying restrictions that we fail to see them' (2010: 1). Many of the fundamental tasks of the contemporary state make the realisation of a truly 'free market' impossible. For example, even the most strident neoliberal would not argue that children should be re-introduced to the work-force. Standard controls over immigration directly influence the labour market. Even the way in which money is created and supplied shapes and influences the market – let alone the social values and relationships, which inform all market transactions, the origins of which are outside of the 'market'. Chang, like Polanyi, recognises that the market is embedded in a complex social, political and institutional context which ultimately defines and shapes it. It is in this sense that neoliberal theory is utopian; it represents an unrealisable social organisation. What is surprising is the way in which this imagery – a 'free market' utopia – has come so fully to dominate our economic debates, both domestically and globally.

From a Polanyian perspective, neoliberals' 'free-markets' are deeply 'embedded' (Cahill, 2012; Block and Somers, 2014). This is counter to the way in which *exoteric* representations treat the 'market' and the 'state' as separate spheres. Indeed, this may be implied within *esoteric* layers of neoliberal theory, recognising the ontological contradiction of translating theory to practice. The task, then, is to consider what *actually* characterises neoliberal practice, and then apply that diagnosis to criticism. Across variegated political economic geographies, the typical policies associated with neoliberalism are deregulation, privatisation and marketisation (Cahill, 2010: 307). Crucially, however, while neoliberal practice has facilitated the expansion of markets and 'market-like' structures which superficially conform to neoliberal theory, these policies have *not* correlated with a reduction of the size or scope of government intervention in the economy. While 'actually existing neoliberalism' is certainly defined by increasing the scope and frequency of market-based transactions, the characterisation of neoliberal practice as involving 'free markets' is incorrect.

Perhaps the most striking example of state action contradicting the precepts of *exoteric* neoliberal theory is when state action actively facilitates the redistribution of income (and wealth) from lower- to higher-income households. Some mechanisms which facilitate this upward redistribution include: tight control over the labour supply, either through immigration controls, inequitable education systems, or other means; 'corporate welfare', which entails a raft of government measures which support or subsidise the cost of business; and cuts to services which disproportionately affect the poor (Baker, 2008: 1-4). Often it is through a combination of such measures that income (and wealth) is funneled upward. Thus a key contention of scholars who support 'actually existing neoliberalism' as a preferable conceptualisation is that the role of the state is often very different to what is prescribed in *exoteric* neoliberal theory.

Now, let us consider some key policies which might help in identifying this project at work. Damien Cahill suggests that 'as a policy regime, neoliberalism is defined by microeconomic policies of privatization, marketization and deregulation as well as the macroeconomic policies of inflation-targeting' (Cahill, 2014: ix). Of these, deregulation immediately seems counter to the central thesis being argued here – that neoliberalism does not, in practice, involve a retreat of the state toward a 'freer market'. Surely, if existing regulations are being rescinded, then this

means a reduction of state purview? This understanding of deregulation is prevalent in those explanations of the global financial crisis that focus on 'risky lending' and the repeal of the Glass-Steagall Act in the US as key factors leading to the crisis (*e.g.* Garnaut, 2009; Krugman, 2013). However, in the US context, the process of financial deregulation 'did not entail a withdrawal of the state' (Cahill, 2014: 141). Those who see the repeal of a certain regulation – say, the Glass-Steagall Act – as a reduction in state purview take a narrow view of government controls. From a broader perspective, it is possible to perceive a 'deregulation' of state controls occurring concurrently with a permissive monetary policy which, when taken together with stagnating wage growth, forces more working-class families to rely on finance to facilitate a certain standard of living. The overall effect of this is to create a market where there was not one before. Thus, active state intervention in the economy creates a market in order to allow further wealth (and power) redistribution. While this example clearly focuses on the US experience, it also speaks to the true character of neoliberalism. That is to say, increases in apparent freedoms in some areas disguise the manner in which the state continues to set the 'rules of the game' in ways that, as Chang says, are invisible 'because we so unconditionally accept its underlying restrictions' (Chang, 2010: 1).

The process of privatisation, too, has heavily involved states. Indeed, as privatisations take place, new regulations are often created to govern the private enterprises (Cahill, 2010: 307) – a process that could be seen, too, as offsetting the aforementioned deregulation. In a similar fashion, marketisation of social services is often accompanied by a continued role for government subsidisation. Due to these processes, individuals have to rely more on markets for the delivery of goods and services than they did formerly during the post-war era. The point here is that, while there may be some correlation between neoliberal theory and practice, it is only on a microeconomic level. The stipulated goals of *exoteric* neoliberal theory – the reduction of the role of government, and the creation of 'free markets' – are not delivered in practice. Rather, as Cahill argues: 'in all of these cases, state regulation has been used to secure the formal freedoms advocated by neoliberal polemicists' (308).

Neoliberal practice does not just differ from *exoteric* theory in regard to its prescriptions but in regard to what it has delivered. The advocates of neoliberalism commonly promise such desirable results as increased growth, increased employment, increased efficiency, increased prosperity

and increased freedoms. The actual material outcomes resulting from decades of neoliberal hegemony commonly fall far short of these promises. As Keen states:

With the market so much more in control of the global economy now than fifty years ago, then if [neoliberal theorists] are right, the world should be a manifestly better place: it should be growing faster, with more stability, and income should go to those who deserve it (Keen, 2001: 2).

Rather, the outcomes are stagnating global growth rates, high (and increasing) unemployment, and a looming ecological crisis. These manifest failings of neoliberalism have been the subject of many, many scholarly works (*e.g.* Quiggin, 1996; Harvey, 2005; Klein, 2007; Konings, 2010; Stiglitz, 2013; Hamilton, 2010). They lend further weight to the central argument of this article about the contradictory character of neoliberalism in theory and practice. Not only does 'actually existing neoliberalism' *not* follow the normative *exoteric* blueprint established by its proponents – the outcome is dislocated from the theory as well.

In summary, while 'actually existing neoliberalism' is marked by policies – such as deregulation, privatisation, and/or marketisation – which seem to conform to classic neoliberal modalities and are ostensibly justified through appeals to free market/small state rhetoric, in fact it extends or reconfigures the role of the state in facilitating new market arrangements which have particular class-distributional effects. In the remainder of this article it will be argued that while the roots of 'disjuncture' can be traced back to contradictions between *esoteric* and *exoteric* neoliberalisms, the 'double truth' theory cannot fully explain why market logics are applied in some areas and repressed in others.

### **Conceptual Reconciliation**

Beyond overly simplistic understandings of neoliberalism as defined by a commitment to, or institutionalisation of 'free markets' and 'small states', this article has presented two alternative approaches: Mirowski's ideational approach, which identifies a Straussian 'double truth' existing between *esoteric* and *exoteric* versions of the doctrine; and a more materialist approach employed by scholars who emphasize a disjuncture between neoliberal theory and 'actually existing neoliberalism'. These

two approaches do not sit easily with each other – indeed, they are largely antithetical. Mirowski argues that each and every inconsistency between theoretical postulates of neoliberalism and actual policy can be traced back to the other side of the *esoteric-exoteric* divide – that all neoliberal practice has its roots *somewhere* in the theory. In contrast, Damien Cahill, a proponent of the materialist perspective, describes Mirowski's 'double truth' as a 'misleading claim' which 'requires the operation of an extraordinary conspiracy' in order to hold (2014: 41). It is the contention of this article that these approaches are both important, but also limited, and that they can be partially reconciled in order to create a more robust conceptualisation of neoliberalism.

The chief shortcoming of ideas-centered approaches is that they 'view ideas as the main drivers of political and economic change' (Cahill, 2014: viii). In other words, political actors accept a set of ideas and then go about attempting to reshape society following those ideas. By extension of that thinking, deliberate state action to create markets in some areas and repress them in others is driven by a calculated attempt to realise *esoteric* neoliberalism. But can all policy change in the real world be explained through the direct influence of ideas? The role played by interests, existing institutions, and necessity of political compromise in the process of policy change would suggest not (Blyth, 2002).

A more comprehensive understanding of neoliberal policy change sees contradiction at the heart of the ideology and a further pulling apart of the tensions involved through the crucible of political practice. Note, however, that not all contradiction has its roots in ideational structures – other divergences are added to existing ones as different interests and institutional factors influence the process of economic change. This process of 'co-existence' with 'unloved others' – that is, the interaction between neoliberalism and other extant ideologies, institutions and structures – explains much spatial and temporal variation between and across neoliberalisations (Peck, Theodore and Brenner, 2012b). The idea of 'variation' immediately resonates with the 'varieties of capitalism' literature (*e.g.* Hall and Soskice, 2001), which emphasises processes of negotiation and compromise in the development of capitalism within any nation as an explanation of uneven political economic practice. But, just as with other materialist approaches, the 'varieties of capitalism' approach also falls short of fully explaining the relationship between ideas and practice. Finally, we arrive at 'actually existing neoliberalism' as the most useful conceptualisation of neoliberalism. But, as is the

assertion of this article, such a conception must be conscious of the unstable ideational foundation on which it is built. That is to say, abstractions of the locus of contradiction which focus solely on the schism between *ideas* and *practice* must be replaced by an appreciation of many and multiple loci. A true understanding of neoliberalism cannot focus on just ideas *or* practice, rather on the diverse ways these two spheres intersect and interact – this interplay must become incorporated into the established 'actually existing' framework.

### **The Australian Experience of 'Neoliberalism'**

We turn now to the Australian case in order to illustrate the utility of the concept of 'actually existing neoliberalism'. Consider, briefly, claims that Tony Abbott's government was a neoliberal one:

[T]he current Abbott government... has not just continued the neoliberal *status quo* but pushed it considerably further (Lloyd and Ramsay, 2014/15: 42).

The Hockey budget betrays an ideological drive toward US-style small government (Swan, 2014).

The Abbott government has a plan to have no plan and it's really committed to it. That's the point of neoliberalism. It sees the world as a market and solves every problem through it (Aly, 2014).

These critics have all characterised the Abbott government as neoliberal – in the 'free-market' meaning of the term. The task is to consider whether these claims are accurate. As the quoted statements by Lloyd and Ramsay, Swan and Aly imply, the Abbott government certainly did espouse its commitment to free-market ideas in its rhetoric. However, it is argued here that the effect of policy (and proposed policy) is better understood through the lens of 'actually existing neoliberalism'.

### **Exoteric Neoliberalism?**

The key postulates of the *exoteric* neoliberal commitment to free markets and small states were evident in the rhetoric employed by Tony Abbott and his ministers. In his Address to the World Economic Forum in

January 2014, for example, Abbott stated: ‘as soon as people have economic freedom they create markets. Markets are the proven answer to the problem of scarcity’ (Abbott, 2014). This clearly reflects the core neoliberal argument that the market is ontologically spontaneous and the most preferable way to organise society. He went on to argue that:

The challenge, everywhere, is to promote sustainable, private sector-led growth and employment – and to avoid government-knows-best action for action’s sake... Despite the Crisis, worldwide, income per person is still up by over 60 per cent in the past decade... This progress is partly... driven by the intellectual and philosophical conviction that freer trade and smaller government will strengthen prosperity; the instinct that empowered citizens can do more for themselves than government will ever do for them (Abbott, 2014, online).

This rhetoric clearly correlates with *exoteric* theoretical projections of neoliberalism.

Another example of *exoteric* neoliberal themes in Coalition rhetoric is the former Treasurer Joe Hockey’s ‘The End of The Age of Entitlement’ speech, delivered at the Institute of Economic Affairs in April of 2012. A prominent theme in Hockey’s speech was the largesse of government spending, and the need for fiscal ‘sustainability’. Targeted within the speech – foreshadowing later budgetary measures – were the current Australian retirement age, pension provision, and healthcare. Cutbacks in these areas, Hockey argued, are needed, as the goal of a fiscally responsible government must be to balance its budget. Cuts to government spending are posited as the only solution, because increases to taxes would slow growth:

We must rebuild fiscal discipline. Budget surpluses must be restored, ideally until the debt is repaid. This can only be achieved by cutting spending or by raising taxes. And given the general acceptance is that the increased drag from higher taxes would compromise economic growth, the clear mandate is to lower expenditure (Hockey, 2012).

These ideas are congruent with *exoteric* ‘free-market’ and ‘small state’ expressions of neoliberalism. That these rhetorical commitments have shaped the critiques of opponents (Swan, 2014; Aly, 2014) speaks to the discursive power of *exoteric* neoliberalism. They also provide a set of

values which can be compared with actual policy. The question remains: can the Abbott government's practice be fully explained by these *exoteric* caricatures? Or is there perhaps merit in Mirowski's 'double truth' hypothesis?

### Esoteric Neoliberalism?

The rationale behind an esoteric doctrine is that there are some truths which are accepted within a particular group which are understood as politically unpalatable to the masses. Hockey, speaking the conservative Institute of Economic Affairs in London, was among friends. And so it is telling that Hockey's acknowledged the anti-democratic nature of his reforms. 'It is not popular to take entitlements away from millions of voters in countries with frequent elections... [but] ultimately the fiscal impact of popular programs must be brought to account no matter what the political values of the government are or how popular a spending program may be' (Hockey, 2012). This is an important illustration that of same tension between normative neoliberalism and democratic principles that Hayek wrestled with in *New Studies in Philosophy, Politics, Economics and the History of Ideas*:

Liberalism and democracy, although compatible, are not the same ... the opposite of liberalism is totalitarianism, while the opposite of democracy is authoritarianism. In consequence, it is at least possible in principle that a democratic government may be totalitarian and that an authoritarian government may act on liberal principles... [in] demanding unlimited power of the majority, [democracies] become essentially anti-liberal (Hayek, 1978b: 161).

It would seem that in this instance the 'double truth' hypothesis goes some way to describe Hockey's struggle with democracy. As highlighted above, a key aspect of the *esoteric* doctrine is an understanding of the strong role that the state must play in creating and shaping markets. Turning now to practice, this aspect of *esoteric* neoliberalism can also be identified.

Neoliberal practice is defined by many processes whereby a strong state works to create market-like structures, conforming to Mirowski's conceptualisation of esoteric neoliberalism. Marketisation of education is a pertinent example. Christopher Pyne, the Minister for Education in

Abbott's Government, proposed (among other changes) to remove the current 'cap' on the fees that universities can charge for an undergraduate degree. Whilst this reform would supposedly 'free' universities from burdensome red-tape that causes them to 'slip into mediocrity' (Pyne, 2014), this policy package is not a 'small government' proposal. Just as with US financial 'deregulation', the policy here allows more freedom with one hand, whilst also increasing state involvement in market creation with the other. Part of this package would extend government-financed student loans (HELP) to those studying at private tertiary institutions. The scope and size of government spending and subsidy is increasing in absolute terms. More importantly, this process should be seen as typical of 'actually existing neoliberalism' in the way deregulation is pursued with the effect of actively recreating and extending this market (Etherington, 2014, online). The effect of this marketisation, as experienced in the US education system, will be increased opportunities for private institutions to pursue higher profits whilst undermining quality of education and equality of opportunity (Stiglitz, 2014). The idea of securitising HELP debt has even been broached (Lobbecke, 2014) which would entail the very debt being incurred becoming *another* market for further capital accumulation. A further aspect of this legislation (which is yet to pass through the Senate) mandates that 20 per cent of extra revenue generated through fee increases must be directed toward scholarships. This too sits uncomfortably with rhetoric that enterprises (universities included) should be free from government intrusion, but is largely congruent with *esoteric* conceptions of the role of the state in the creation and shaping of markets.

Similar instances of active state intervention congruent with *esoteric* neoliberalism include immigration detention – mandatory detention policies leading to multi-billion dollar private contracts (Loewenstein, 2014) – and health care – selective application of market logics through 'price signals', despite the fact that imperfect information and inelastic demand will prevent this sector from ever working as a market (Bunday, 2014; Spies-Butcher, 2014).

The above rhetorical commitments and effective (or proposed) policies can be seen as consistent with the 'double truth' conception of neoliberalism. This raises a difficult question: were the ministers of the Abbott government all members of a closed *esoteric* elite, deliberately diverging from their rhetorical commitments to free markets and small

states? Or, more simply, are there propositions that more satisfactorily explain the Australian experience of neoliberalism? This article is arguing that while the 'double truth' hypothesis is a significant insight, it is not comprehensive – the 'double truth' hypothesis is a lens which highlights internal inconsistency, but which cannot fully explain it. And so here we turn to 'actually existing neoliberalism'.

### **'Actually Existing Neoliberalism'**

The 'End of the Age of Entitlement', as Hockey called it (2012), has seen significant cuts proposed and implemented across a broad range of the social services provided by the Australian Government. Service cuts have not only disproportionately affected poorer members of society (Allard and Martin, 2014; Philips, 2014), as is typical of austerity programs (Blyth, 2013: 8), but cuts have been strikingly absent across the corporate sector (Mansillo, 2014). It is here that the true nature of 'actually existing neoliberalism' is to be found. Yes, neoliberal practice does often seem to conform to its *exoteric* theoretical foundation – privatising, deregulating, and undermining those remnants of the welfare state that still survive – but it is the *selective* application of market-based logics that is the hallmark of 'actually existing neoliberalism'. Market logics are strictly enforced in some areas (*e.g.* social services), and yet actively suppressed in others (*e.g.* corporate welfare). Here we return to the idea of 'actually existing neoliberalism' as a structural system of upward redistribution of income (and wealth) – or, in Dean Baker's terminology, a 'conservative nanny state' (Baker, 2008). It is in areas such as this that Mirowski's 'double truth' approach fails to fully explain reality. Even in *esoteric* circles, the role of the state is never explicitly outlined as promoting the interests of capital over citizens. Further, even Mirowski's research cannot link *all* of these actors to the inner layers of the 'Russian doll', meaning that the assumption that ideas directly drive policy is too simplistic. And so, as an element of with the 'actually existing' perspective, let us consider the role of the state in the Australian political economy, and the interests it serves.

Consider the context of the 2014-15 Australian federal budget. At time of writing, Treasury estimates placed the current budget deficit at \$39.8 billion – a figure which has increased from the \$29.8 billion deficit announced with the initial budget (Treasury, 2014). These figures include

the savings tabled in the budget. In an apparent effort to reduce spending, Joe Hockey proposed cutting many social services, and looked to increase revenue in various areas, with the stated aim of achieving a total \$36 billion of savings (ABC, 2014a). While the marked increase in the budgetary deficit, seen in the *Mid-Year Economic and Fiscal Outlook* report (Treasury, 2014), is largely due to falling revenue, it is worth considering what was cut, and what was not; this illustrates the way in which 'small state' narratives fail to capture the realities of neoliberal practice.

An 'actually existing neoliberal' state does not merely endorse capital's passive exploitation of the inequities of the market: it actively works to redistribute wealth upwards. One of the key mechanisms for this is 'corporate welfare', and these policies entail significant government largesse. Corporate welfare includes a raft of government measures which support or subsidise the cost of business – 'through tax abatements, government financing of building projects, improper use of eminent domain, assumption of corporate liabilities, waiver of regulations, or other supports' (Nader, 2011: 35). Spending on corporate welfare has been a feature of successive neoliberal governments in Australia. 'Government assistance to industry far exceeds monies spent in unemployment benefits, yet it is always social welfare that governments scrutinise and cut back' (Van Dyke, 2003). Research puts the total amount of corporate welfare spending in Australia in 2005 at 9 per cent of GDP. This compares with social welfare outlays totalling roughly 14 per cent of GDP (Farnsworth, 2013:16). Let us consider some examples.

Broad definitions of corporate welfare include forgone revenue. Consider that taxing mineral extraction at the same rate as labour (as opposed to the current rate of 13 per cent) would increase revenue by an estimated \$67.8 billion (Mansillo, 2014). The subsidies awarded to the fossil fuel industry through fuel tax credits, aviation fuel rebates, and mining exploration grants total \$11 billion. Current negative gearing arrangements cost the government an estimated \$15 billion (Mansillo, 2014). These corporate welfare expenditures alone total \$93.8 billion dollars annually – eliminating them would return the budget to surplus without any help from cuts in social services (if we accept that achieving surplus is, indeed, the principal goal of fiscal policy). Other expenditures in the form of significant foregone revenues, which do not benefit corporations directly but nonetheless benefit the wealthiest individuals in

our society, such as superannuation tax concessions for the rich, also work to facilitate upward redistribution. That savings have been found in social spending, scientific research and foreign aid (*Sydney Morning Herald*, 2014), rather than in the area of corporate welfare, speaks to the material interests served by the political project that is neoliberalism, as well as the uneven, selective, and contradictory nature of 'actually existing neoliberalism'. The 2014-15 budget also included some significant increases in expenditure, such as the \$24 billion pledged to the Joint Strike Fighter project (ABC, 2014b).

Neoliberalism cannot be conceptualised as a policy of small governments, as cuts in spending are so often offset by increased or continued spending in areas which promote the interests of capital. And while *esoteric* conceptions of neoliberalism acknowledge the role for a strong state, they do not openly advocate such selective application of market logics, or the direct subsidy of corporate interests.

## Conclusion

Continuing the discussion around 'neoliberalism' is crucial in understanding the forces reshaping the global economy, and for navigating one's way successfully through debates about economic change. Within the claim that 'actually existing neoliberalism' is a preferable conceptual apparatus in understanding contemporary neoliberalism' are nested several subsidiary claims. One such claim is that idealist approaches which assume a direct causal relationship between ideas and policies are severely limited; instead a materialist methodology should be adopted to appraise actual policy more critically. This materialist analytical focus does not, however, replace the study of ideas and ideology; the two can complement each other. Here, the ideational approach of Mirowski's 'double truth' has been presented as a way to develop further the otherwise-materialist approach of 'actually existing neoliberalism'. *Exoteric* neoliberal theory plays an important role in the continuation of neoliberal hegemony by establishing discursive frameworks which work to legitimise neoliberalism and create a 'false consensus' around these values. And, importantly, criticisms of neoliberalism which engage *just* with *exoteric* ideas are too easily deflected by neoliberal actors. Instead we must 'shift to a conceptual

register' which engages with what neoliberalism *actually does* (Konings, 2012) – this is the critical potential of the 'actually existing' framework.

Taking that materialist approach as the methodological foundation, this article has asserted the importance of 'actually existing neoliberalism' as the most useful way to conceptualise neoliberalism. Applying that analytical framework in the Australian context has shown the disjuncture between the values espoused by Abbott and his ministers – values which largely conform to *exoteric* neoliberal theory – and the actual policies pursued in the 2014 budget. Far from being a free-market government, Abbott's government used an active state to create markets in some spaces whilst deliberately suppressing market logic in others. The complexities of neoliberal practice cannot be fully explained through a 'double truth' hypothesis, however: the disjunctures of practice are more than can be explained by ideational contradiction alone. Rather, the only coherent way this contradiction can be understood is through the interests of capital, highlighted by 'actually existing neoliberalism'.

So why is any of this important? Because if the critics of neoliberalism are ever to be successful, they must stop engaging exclusively with the ideological spectre that is *exoteric* neoliberalism. As Baker has written, 'it should be clear that if progressives ever want to start winning... debates on economic policy we must stop using the scripts that were written by the [neoliberals] (2008: 15). This article has sought to show that 'actually existing neoliberalism' provides a lens which allows us to see more clearly.

*Matthew Ryan is a postgraduate research student in the Department of Political Economy at the University of Sydney*  
*mrya5935@uni.sydney.edu.au*

## References

- Abbott, T. (2014) Address to the World Economic Forum, Davos, Switzerland, 23 January, available at <https://www.pm.gov.au/media/2014-01-23/address-world-economic-forum-davos-switzerland-0>
- Australian Broadcasting Corporation (2014a) Foreign aid cuts make up one fifth of budget savings, 22 May, available at <http://www.abc.net.au/news/2014-05-20/tim-costell-correct-on-budget-foreign-aid-cuts/5452698>

- Australian Broadcasting Corporation (2014b) Joint Strike Fighters: Australia's first F-35 jet takes inaugural flight in United States, 1 October, available at <http://www.abc.net.au/news/2014-10-01/australias-first-joint-strike-fighter-makes-it-inaugural-flight/5781094>
- Allard, T. and Martin, P. (2014), Budget cuts hit lowest-income earners hardest, says Treasury, 3 August, available at <http://www.smh.com.au/federal-politics/political-news/budget-cuts-hit-lowest-income-earners-hardest-says-treasury-20140803-zzwhz.html>
- Aly, W. (2014) Tony Abbott's plan is no have no plan at all, 7 March, *Sydney Morning Herald*, available at <http://www.smh.com.au/comment/tony-abbotts-plan-is-to-have-no-plan-at-all-20140306-349xa.html>
- Baker, D. (2008) *The Conservative Nanny State: How the Wealthy Use the Government to Stay Rich and Get Richer*, Washington, DC: Center for Economic and Policy Research.
- Block, F. and Somers, M. (2014) *The Power of Market Fundamentalism: Karl Polanyi's Critique*, Cambridge, MA: Harvard University Press.
- Blyth, M. (2002) *Great Transformations: Economic Ideas and Institutional Change in the Twentieth Century*, Cambridge: Cambridge University Press.
- Blyth, M. (2013) *Austerity: The History of a Dangerous Idea*, Oxford: Oxford University Press.
- Brenner, N. and Theodore, N. (2002) Cities and Geographies of "Actually Existing Neoliberalism", *Antipode*, Volume 34, Number 3.
- Bunday, F. (2014) Putting the \$7 Co-payment in context: Australia's increasingly financialised system of healthcare, *Journal of Australian Political Economy*, Issue 73.
- Cahill, D. (2010) 'Actually Existing Neoliberalism' and the Global Economic Crisis, *Labour and Industry*, Volume 20, Number 3.
- Cahill, D. (2012) The embedded neoliberal economy, in D. Cahill, L. Edwards, and F. Stilwell (eds), *Neoliberalism: Beyond the Free Market*, Cheltenham, UK: Edward Elgar.
- Cahill, D., Edwards, L. and Stilwell, F. (eds.) (2012) *Neoliberalism: Beyond the Free Market*, Cheltenham, UK: Edward Elgar.
- Cahill, D. (2014) *The End of Laissez-Faire? On the Durability of Embedded Neoliberalism*, Cheltenham, UK: Edward Elgar.
- Chang, H-J. (2010) *23 Things They Don't Tell You About Capitalism*, London: Penguin Books.
- Dumenil, G. and Levy, D. (2012) The crisis of neoliberalism as a stepwise process: from the Great Contraction to the crisis of sovereign debts, in D. Cahill, L. Edwards, and F. Stilwell (eds), *Neoliberalism: Beyond the Free Market*, Cheltenham, UK: Edward Elgar.
- Etherington, B. (2014) Anemic Academics Surrender to Marketisation, 20 August, *The Australian*, available at <http://www.theaustralian.com.au/higher-education/opinion/anemic-academics-surrender-to-marketisation/story-e6frgcko-1227029640095>
- Farnsworth, K. (2013) Bringing Corporate Welfare In, *Journal of Social Policy*, Volume 42, Number 1.
- Friedman, M. (1951) Neoliberalism and Its Prospects, *Farmand*, February 17.
- Friedman, M. (1962) *Capitalism and Freedom*, Chicago: University of Chicago Press.

- Friedman, M. and Friedman, R. (1980) *Free to Choose*, Harmondsworth: Penguin.
- Galbraith, J. (2008) *The Predator State: How Conservatives Abandoned the Free Market and Why Liberals Should Too*, New York: Free Press.
- Garnaut, R. (2009) *The Great Crash of 2008*, Melbourne: Melbourne University Press.
- Hall, P. and Soskice, D. (2001) *Varieties of Capitalism: The Institutional Foundations of Comparative Advantage*, Oxford: Oxford University Press.
- Hamilton, C. (2010), *Requiem for a Species: Why we resist the truth about climate change*, Sydney: Allen and Unwin.
- Harvey, D. (2005) *A Brief History of Neoliberalism*, Oxford: Oxford University Press.
- Hayek, F. (1973) *Law, Legislation and Liberty, Volume 1: Rules and Order*, Chicago: University of Chicago Press.
- Hayek, F. (1978a) *Law, Legislation and Liberty, Volume 2: The Mirage of Social Justice*, Chicago: University of Chicago Press.
- Hayek, F. (1978b) *New Studies in Philosophy, Politics, Economics and the History of Ideas*, London: Routledge & Kegan Paul.
- Hayek, F. (2001 [1944]) *The Road to Serfdom*, New York: Routledge Classics.
- Hockey, J. (2012) The End of the Age of Entitlement, Address to the Institute of Economic Affairs, London, 17 April, available at <http://www.joehockey.com/media-files/speeches/ContentPieces/100/download.pdf>
- Keen, S. (2001) *Debunking Economics: The Naked Emperor Dethroned?* (2<sup>nd</sup> edition), London: Zed Books.
- Klein, N. (2007) *The Shock Doctrine: The Rise of Disaster Capitalism*, New York: Picador.
- Konings, M. (2010) *The Great Credit Crash*, London: Verso.
- Konings, M. (2012) Neoliberalism and the state, in D. Cahill, L. Edwards, and F. Stilwell (eds), *Neoliberalism: Beyond the Free Market*, Cheltenham, UK: Edward Elgar.
- Krugman, P. (2013) *End This Depression Now!*, New York: W.W. Norton & Company.
- Kunkel, B. (2009) On Your Marx, *n+1 Magazine*, Issue 8, available at <https://nplusonemag.com/issue-8/the-intellectual-situation/on-your-marx/>
- Lloyd, C. and Ramsay, T. (2014/15) Macroeconomic prosperity and social inclusion: From long-run history to the shock of May 2014, *Journal of Australian Political Economy*, Number 74.
- Lobbecke, E. (2014) Sell-off of HECS debt not to be squandered, *The Australian*, 26 February, available at <http://www.theaustralian.com.au/higher-education/selloff-of-hecs-debt-not-to-be-squandered/story-e6frgcjx-1226837588132?nk=aed4325bea4f2442bf8b0bba44496f0f>
- Loewenstein, A. (2014) Meet the firms cashing in on imprisoning foreigners, *New Internationalist*, January, Issue 469.
- Mansillo, L. (2014) Six ways to fix Australia's finances without cuts, *The Guardian*, 9 May, available at <http://www.theguardian.com/commentisfree/2014/may/09/six-ways-to-fix-australias-finances-without-cuts>

- Mirowski, P. (2013) *Never Let A Serious Crisis Go To Waste: How Neoliberalism Survived The Financial Meltdown*, London: Verso.
- Mirowski, P. and Plehwe, D. (2009) *The Road From Mont Pelerin: The Making of the Neoliberal Thought Collective*, Harvard: Harvard University Press.
- Nader, R. (2011) *Cutting Corporate Welfare*, New York: Seven Stories Press.
- Nozick, R. (1977) *Anarchy, State, and Utopia*, New York: Basic Books.
- Peck, J. and Tickell, A. (2002) Neoliberalizing Space, *Antipode*, Volume 34, Number 3.
- Peck, J., Theodore, N. and Brenner, N. (2012a) Neoliberalism, interrupted, in D. Cahill, L. Edwards, and F. Stilwell (eds), *Neoliberalism: Beyond the Free Market*, Cheltenham, UK: Edward Elgar.
- Peck, J., Theodore, N. and Brenner, N. (2012b) Neoliberalism Resurgent? Market Rule after the Great Recession, *The South Atlantic Quarterly*, Volume 111, Number 2.
- Phillips, B. (2014) NATSEM independent modelling of 2014-15 Federal Budget, National Centre for Social and Economic Modelling, available at <http://www.natsem.canberra.edu.au/storage/2014-15%20Budget%20Research%20Note.pdf>
- Porfilo, B. (2007) Neoliberalism, in G. Anderson and K. Heir (eds), *Encyclopedia of Activism and Social Justice*, Washington DC: SAGE Publications Inc.
- Polanyi, K. (2001) *The Great Transformation: The Political and Economic Origins of Our Time* (2<sup>nd</sup> edition), Boston: Beacon Press.
- Pyne, C. (2014) Building A World-Class Higher Education System, Speech to the National Press Club, 13 May, available at <http://www.pyneonline.com.au/media/media-releases/building-a-world-class-higher-education-system>
- Quiggin, J. (1996) *Great Expectations: Microeconomic Reform and Australia*, St. Leonards, NSW: Allen & Unwin.
- Rudd, K. (2009) The Global Financial Crisis, *The Monthly*, February, Number 42.
- Smith, S. (2009) Introduction: Leo Strauss Today, in S. Smith (ed.) *The Cambridge Companion to Leo Strauss*, Cambridge: Cambridge University Press.
- Spies-Butcher, B. (2014) Markets, Universalism and Equity? Medicare's Dual Role in the Australian Welfare State, *Journal of Australian Political Economy*, Issue 73.
- Steger, M. and Roy, R. (2010) *Neoliberalism: A Very Short Introduction*, Oxford: Oxford University Press.
- Stiglitz, J. (2013) *The Price of Inequality: How Today's Divided Society Endangers Our Future*, New York: W. W. Norton & Company.
- Stiglitz, J. and Westerman, H. (2014) Audio Q&A: Professor Stiglitz on inequality, rent-seeking and Australia's 'brand name', *The Conversation*, 9 July, available at <http://theconversation.com/audio-qanda-professor-joseph-stiglitz-on-inequality-rent-seeking-and-australias-brand-name-28964>
- Swan, W. (2014) The ideology driving the Abbott government's first budget, *The Saturday Paper*, 17 May, available at <http://www.thesaturdaypaper.com.au/topic/politics/2014/05/17/the-ideology-driving-the-abbott-governments-first-budget/1400248800#.VE7pnfmUd8E>.

Sydney Morning Herald (2014) Federal budget 2014: Winners and losers, *The Sydney Morning Herald*, 13 May, available at <http://www.smh.com.au/business/federal-budget/federal-budget-2014-winners-and-losers-20140513-38802.html>

Treasury (2014) *Mid-Year Economic and Fiscal Outlook*, The Australian Government, available at <http://budget.gov.au/2014-15/content/myefo/html/index.htm>

Van Dyke, L. (2003) Milking the System: How corporate welfare fleeces the taxpayer, destroys the environment and corrupts public policy, *Overland*, Volume 110.

Zafarullah, H. & Huque, A. (2012) *Managing Development in a Globalized World: Concepts, Processes, Institutions*, CRC Press, New York: Taylor & Francis Group.

### **THE ANNUAL WHEELWRIGHT LECTURE**

As readers of this journal may know, an annual public lecture on political economy is held at the University of Sydney.

This event honours the pioneering role of Ted Wheelwright in developing political economy as an area of study in Australia.

In each of the years the lecture has been held many hundreds of people have attended.

The previous speakers have all been international figures whose research, writing and teaching have made substantial contributions to political economy - Walden Bello, Jim Stanford, Fred Block, Sheila Dow, Diane Elson, Susan George, and Leo Panitch.

The 2015 speaker was Erik Olin Wright from the University of Wisconsin-Madison who spoke on the topic 'Challenging (and maybe transcending) Capitalism through Real Utopias'. A video of his lecture can be seen on the website of this journal at [www.jape.org](http://www.jape.org)

The 2016 speaker will be David Ruccio from Notre Dame University, New Jersey, who is a renowned contributor to political economy and an engaging public speaker. The lecture will be at the University of Sydney in October, at a date to be announced: please check the JAPE website for further details of date, time and topic in due course.