

**Abandoning the Free Market to Save
the Free Market: A Discursive
Analysis of Neoliberalism in the
Global Financial Crisis**

Or

Why Won't Neoliberalism Die?

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*All I have is a voice
To undo the folded lie,
The romantic lie in the brain
Of the sensual man-in-the-street
And the lie of Authority
Whose buildings grope the sky:
There is no such thing as the State
And no one exists alone;
Hunger allows no choice
To the citizen or the police;
We must love one another or die.*

*Defenceless under the night
Our world in stupor lies;
Yet, dotted everywhere,
Ironic points of light
Flash out wherever the Just
Exchange their messages:
May I, composed like them
Of Eros and of dust,
Beleaguered by the same
Negation and despair,
Show an affirming flame.*

W. H. Auden - September 1, 1939

Frontispiece Sections

Abstract:

Despite repeated predictions of its demise in the previous decades, neoliberalism continues to dominate our understandings of economic and political reality. Focusing on the most dramatic crisis of neoliberalism, the Global Financial Crisis of 2008, this thesis uses the tools of Lacanian discourse analysis to explain the ongoing dominance of neoliberalism in spite of its repeated failures. Conceptualising neoliberalism as a dominant discourse, I argue that neoliberal dominance should be located both in its affective potency as discourse, and in the pervasiveness of neoliberal ontological presumptions, which predominate even in accounts that attempt to critique neoliberalism. Part I consists of a history of neoliberal thought, utilising concepts from Lacanian theory to understand the appeal of the neoliberal discourse. I theorise the free market as the master signifier of neoliberal ideology, and using Lacan's theory of the four discourses, highlight the synergies between the 'master' and 'university' accounts of neoliberalism. Part II examines the moment of discursive rupture that emerged with the GFC, utilising a corpus comprised of newspaper articles, world leaders' speeches, thinktank output and G20 documents. Though neoliberalism was challenged during the onset of the crisis, I suggest that critical accounts were largely constructed according to the logic of the hysteric's discourse, implicitly accepting the validity of neoliberal categories of analysis – most notably, the state/market binary – thereby terminally constraining their ability to offer an alternative. Conversely, by drawing on the 'master' and 'university' logics, neoliberal accounts were able to reshape the 'facts' of the crisis to fit the fantasy of free market infallibility, and therefore demand the intensification of free market policies. In concluding, I use Lacan's discourse of the analyst to consider future possibilities for thinking beyond the neoliberal horizon.

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I certify that the intellectual content of this thesis is the product of my own work and that all the assistance received in preparing this thesis and sources have been acknowledged.

Signed:

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Introduction: You demand a new master. You will get it! On the Free Market in the Global Financial Crisis

The starting point of my research is the startling moment of discursive rupture that emerged with the onset of the Global Financial Crisis in 2008. Prior to the crisis, there was a widespread consensus that the political economy of advanced western nations was governed by the principles of the free market, particularly in the two countries that form the focus of my research, the United Kingdom and United States. Francis Fukuyama (1992: xiii) aptly captured the discursive hegemony of free market ideas when he claimed that ‘Liberal principles in economics—the “free market”—have spread, and have succeeded in producing unprecedented levels of material prosperity’ (see also Friedman 2000; Crockett 2001). By 2007 the revered Chairman of the US Federal Reserve, Alan Greenspan, could claim ‘policy decisions in the US have been largely replaced by global market forces. National security aside, it hardly makes any difference who will be the next president. The world is governed by market forces’ (cited in Tooze 2018). Moreover, even most critics of the free market begrudgingly acknowledged its dominance, particularly in the burgeoning literature on neoliberalism. For instance, in one of the seminal contributions, David Harvey (2005: 2) claimed that neoliberalism is ‘an institutional framework characterized by strong private property rights, free markets, and free trade...There has everywhere been an emphatic turn towards neoliberalism’ (see also Bourdieu 1998; Saad-Filho and Johnston 2005; Klein 2007).

The onset of the Global Financial Crisis in 2008 was thus remarkable because it appeared to rupture the decades old free market consensus in the space of a few months. Following the collapse of Lehman Brothers, and the subsequent recession in most of the western world, the ‘end of the free market’ and the related ‘end of neoliberalism’ quickly became the *zeitgeist* of the crisis, proclaimed by politicians (Gusenbauer 2008, Brown 2009b, Rudd 2009), academics (Wallerstein 2008, Judt 2010), journalists (Hutton 2008, Mason 2009), economists (Krugman

2008c, Skidelsky 2009) and activists (Klein 2008c). The following quotes from prominent world leaders give some sense of the pervading mood of paradigmatic change:

‘the fall of Wall Street, is to neo-liberalism what the fall of the Berlin Wall was to communism’, Alfred Gusenbauer (2008), Chancellor of Austria

‘the crisis must incite us to re-found capitalism... *Laissez-faire* is finished. The all-powerful market that always knows best is finished’, Nicolas Sarkozy (2008), President of France

‘the world of the old Washington Consensus is over... Instead of a global free market threatening to descend into a global free for all, we must reshape our global economic system’ Gordon Brown (2009b), Prime Minister of the United Kingdom

‘I have abandoned free market principles to save the free market system’, George W Bush (2008d), President of the United States

Moreover, in the immediate aftermath of the crisis, governments broadly engaged in policies that directly contradicted free market principles, such as extensive Keynesian-inspired counter cyclical fiscal spending, and the bailout or partial nationalisations of banks and other failing corporations (Farrell and Quiggin 2017). After decades of neoliberal hegemony following the fall of the Berlin Wall, change suddenly seemed inevitable, and the left finally appeared to be on the march. As Slovenian communist Slavoj Žižek (2009: 8) put it, ‘The moral of the story: the time for liberal-democratic moralistic blackmail is over. Our side no longer has to go on apologising; while the other side had better start soon’.

With the aid of hindsight, it is clear that the paradigmatic change proclaimed so giddily in 2008 has failed to eventuate. In fact, the broad consensus is that the enduring effect of the crisis was to intensify free market policies (Crouch 2011; Peck *et al.* 2012: 265; Mirowski 2013). The policies of fiscal stimulus and nationalisation lasted barely a year, and by 2010 had largely been replaced by more free market orientated policies of austerity, marketisation and renewed

rounds of privatisation (Crouch 2011; Blyth 2013; Farrell and Quiggin 2017). Having pronounced and celebrated the death of neoliberalism, critical accounts were suddenly left trying to explain ‘how it comes about that neoliberalism is emerging from the financial collapse more politically powerful than ever’ (Crouch 2011: viii).

In 2016, the election of Donald Trump, the Brexit vote and the success of other seemingly anti-neoliberal populist leaders again appeared to sound the death knell for neoliberalism (see for instance Fraser 2016; Streeck 2017). Various observers suggested that following decades of economic decline, climaxing in the enforced austerity programs after the GFC, electorates had finally tired of neoliberalism, and were instead turning to radical populist and nationalist alternatives (Gusterson 2017; Cahill and Saad-Filho 2017: 611; Bazian and Leung 2018). Yet despite the anti-neoliberal rhetoric, the consensus now seems to be that in government, Trump and his fellow populists failed to significantly challenge the neoliberal order (Slobodian and Plehwe 2020: 11). The combination of large tax cuts, deregulation and attempts to further marketize healthcare suggest Trump and right-wing populism represent not a repudiation of neoliberalism, but rather ‘a nationalist and protectionist inflection and intensification of it’ (Dean 2017: 24), or a ‘hyperreactionary neoliberalism’ according to Nancy Fraser (2019: 26). Once more, neoliberalism emerged from its reported demise apparently stronger than ever.

The outbreak of the Covid-19 pandemic initiated yet another round of eulogies for neoliberalism, as various observers suggested that the extensive state action required to control the pandemic, and the reversal of globalisation caused by the closure of borders, surely, finally, this time for real, signalled the end of neoliberalism (Saad-Filho 2020; Cooper 2020; Wong 2020). Unsurprisingly though, neoliberalism is again thriving in crisis conditions, with the pandemic allowing the private sector to infiltrate public health care systems that had resisted previous waves of marketisation (see for instance British Medical Association 2020), while in many countries the focus has already turned to budget cuts and austerity to pay off the debt

accumulated through the mostly corporate-orientated spending during the crisis (Šumonja 2020). How then should we account for this repeated cycle of apparent neoliberal death and rebirth? And, of equally pressing importance, what exactly is the phenomenon of neoliberalism that seems to persist in the face of constant proclamations of its demise? These are the two questions that guide this work.

Neoliberalism as Dominant Discourse

The repeated premature declarations of neoliberal demise noted in the preceding pages points to a deeper problem in the dominant scholarly conception of neoliberalism. The accounts above narrating the rise and fall and rise of neoliberalism largely reflect materialist understandings of neoliberalism as a late stage of capitalist development or as a system of accumulation. My contention in this work is that these materialist accounts of neoliberalism cannot explain the vacillating trajectory of neoliberalism that was most evident in the apparent oscillation between the adoption of Keynesianism in the immediate aftermath of the Global Financial Crisis, followed by the almost immediate return of an intensified neoliberalism. Economic systems cannot transition rapidly between different paradigms or structures in the space of twelve months, and hence I argue that the apparent demise and then resurgence of neoliberalism in the crisis can best be accounted for by understanding neoliberalism as a dominant discourse, which briefly gave way to alternative discursive constructions of the economy during the onset of the crisis, but then promptly returned to discursive hegemony, reconstructing the facts of the crisis to fit the neoliberal narrative of state failure and free market success. My approach therefore involves a subversion of the traditional distinction between observer and object that predominates in most accounts of neoliberalism, particularly within political economy. Against accounts of neoliberalism as something ‘out there’, I insist on the socially constructed nature of neoliberalism. The free market is not an object in the world, but neither is it an empty

ideological lie concealing the ‘real’ of capitalist exploitation, as some of the more Marxist accounts might suggest. Rather, neoliberalism and the free market is a dominant discourse that constructs our shared understanding of economic and social reality, a dominant discourse that is just as much at play in works critiquing the failure of the ‘free market system’ as it is in those celebrating free market prosperity (for similar accounts of neoliberalism as dominant discourse, see Foucault 2008; Springer 2012; Brown 2015; Mckeown and Glenn 2017).

Having defined neoliberalism as a discourse, the question of neoliberal survival therefore becomes a question of how we account for the persistence of neoliberalism as dominant discourse. In particular, I focus on the survival of neoliberalism during the Global Financial Crisis, the most dramatic and significant of the recent crises of neoliberalism. To account for the evident affective potency of neoliberal constructions of reality, and for their ability to persist in the face of challenges during the crisis, I use an approach to discourse analysis informed by French philosopher and psychoanalyst Jacques Lacan. A Lacanian discourse analysis directly engages questions of how a discourse ‘hooks on’ (Lacan 2007: 189) to its subjects, and why it remains necessary despite the discourse’s apparent failings. By examining the structural features of a particular discourse, and the manner in which a dominant discourse regulates and rationalises the pursuit of desire, the growing field of Lacanian discourse analysis can directly confront the crucial question regarding ‘why are some discourses more politically effective than others?’ (Solomon 2015: 1; see also Wilson 2014a; Eberle 2019a; Mandelbaum 2020). In the context of the Global Financial Crisis, a Lacanian discourse analysis can therefore engage directly with the question of what it is in particular about the neoliberal discourse that allowed it to remain hegemonic in spite of its apparent failings in the crisis.

My Lacanian approach leads to two main lines of argumentation regarding the roots of neoliberal discursive dominance. Firstly, I argue that the Lacanian psychoanalytical framework can identify structural features of the neoliberal discourse that account for its affective potency.

I theorise the ‘free market’ as the neoliberal master signifier – that is, the signifier without a signified, around which all the other signifiers in the discourse are positioned. I suggest that the free market master signifier conceals the fundamental antinomy in neoliberal thought regarding the need for both freedom and order, and is therefore constructed as naturalised institution at the heart of neoliberal thought. I also highlight the fantasy narrative constructed around the free market, which claims that all historical and material progress is necessarily a result of the free market, and that any failings can be blamed on its binary opposite, the transgressive state. The neoliberal fantasy purports to explain the entirety of our economic and political reality, as each fresh crisis of neoliberalism can be constructed as a crisis of the state, and as evidence of the need to intensify the Sisyphean pursuit of the free market ideal. Finally, drawing on Lacan’s theory of the four discourses, I highlight two distinct versions of the neoliberal discourse, the ‘master’ and the ‘university’ accounts of neoliberalism. While the master variant posits the free market as unquestionable ideal, the university variant seeks to present its advocacy for the free market as neutral and scientific, lending supposedly empirical grounding to the claims of the master discourse.

My second line of argumentation concerns the pervasiveness of neoliberal ontological presumptions even in the discourse of those attempting to challenge neoliberalism. Crucially, the concept of the free market predominates not only in pro-neoliberal accounts, but also in those that seek to critique the failings of the free market system. In analysing the discursive contest of the GFC, I find that many critical accounts of neoliberalism adopted an implicitly neoliberal ontology, accepting the neoliberal division of reality into the binary pairing of free market and state, but merely reversing the valence to frame the free market as negative and state as positive. Accordingly, these critical accounts of neoliberalism inadvertently shared in the process of transcribing the neoliberal constructs of free market and state into our political and economic reality. The language used to signify the crisis – deregulated vs. regulated

markets, the free market vs. the state – was drawn from an overwhelmingly neoliberal vocabulary, terminally constraining the ability of critics to think beyond the neoliberal horizon. Returning to Lacan’s theory of the four discourses, I suggest that critical accounts of neoliberalism in the crisis were constructed according to the logic of the hysteric’s discourse. For Lacan, a hysteric’s discourse is one that seeks to directly challenge the master, yet in addressing its discourse to the master, reproduces an implicit relationship of authority, and a form of subjectivity which cannot escape the master’s dominance. In critiquing the failures of the free market, and demanding the return of the state, critical discourses remained squarely within the confines of the hysteric’s discourse, celebrating corporate bailouts and minor regulatory reform as the ‘return of the state’, when in reality these measures only strengthened pre-existing market structures, reaffirming the position of the market as the dominant structure in economic relations. Lacan’s (2007, p. 207) admonition of the Parisian student protests of 1968 is here jarringly prescient; that is, ‘what you aspire to as revolutionaries is a master. You will get one!’

Chapter Outline

In chapter 1, I review the significant body of literature addressing the two research questions enunciated above; that is, what is neoliberalism, and how did neoliberalism survive the Global Financial Crisis. Regarding the first question, I examine the different scholarly accounts that have variously theorised neoliberalism as the dominant ideology and form of contemporary capitalism, as a governmentality or dominant discourse, and as a particular variant of liberalism. I highlight the best insights from the different theoretical traditions, whilst also pointing to some of the shortcomings, and demonstrate what a specifically Lacanian account of neoliberalism has to offer. I also examine the many competing accounts of the survival of neoliberalism in the Global Financial Crisis. Again, instead of attempting to adjudicate between

the varied accounts, I draw out the most useful contributions of the different scholarly traditions, and argue that the problem of neoliberal survival is at core a problem of discursive dominance. In chapter 2, I lay the theoretical groundwork for the subsequent chapters by outlining the core principles of a Lacanian approach to discourse analysis. I describe the Lacanian concepts of fantasy and master signifiers, and outline Lacan's theory of the four discourses.

Part I, comprised of chapters 3 and 4, turns to the history of the neoliberal discourse, tracing the emergence of neoliberal ideas, and their transition from a dominated discourse, articulated by a small group of political theorists and economists, into the dominant construction of the political and economic. Tracing the history of key neoliberal concepts firstly achieves a necessary denaturalisation, demonstrating that contrary to neoliberal claims that the free market is a timeless institution derived from ahistorical reason, the concept of the 'free market' only entered into common usage in the 1930s. My ideational history of neoliberal thought also utilises Lacanian tools of analysis to emphasises the particular structural features from which the neoliberal construction of reality draws its affective potency. Chapter 3 examines the emergence of the neoliberal discourse in the 1930s, focusing on the attempts to reformulate classical liberalism in response to the crises of the early twentieth century. I suggest that the free market master signifier became central in the nascent neoliberal discourse because it offered the means to discursively unify the liberal demand for individual freedom with the recognition of the need for a state imposed economic order, and therefore responded to the crisis that pervaded the early twentieth century liberal milieu.

In chapter 4, I trace the development of the neoliberal discourse from the 1950s until immediately prior to the Global Financial Crisis. I suggest that from the 1950s onwards, the neoliberal discourse consisted of two distinctive forms. The first form was a master discourse, in which the free market was posited as the unquestionable central signifier in accounts of the

economic, around which the rest of economic and political knowledge could be structured. Closely related to the master discourse was the persuasive and totalising fantasy narrative constructed around the concept of the free market. The second main form of free market advocacy in this period took the form of a discourse of the university, relegating the discursive centrality of the free market signifier, and instead presenting neoliberal ideas as scientific common-sense, devoid of ideological or normative content. Crucial to the university discourse was the ongoing ‘mathematisation’ of economics, in which implicit assumptions such as free market values and the rational individual were concealed behind mathematical formulae which appeared to convey objective, non-partisan and empirically grounded mathematical knowledge.

Part II examines the economic downturn that began with the collapse of financial firms in 2007, and spread into the largest crisis of capitalism since the Great Depression. Over three chapters, I examine the process by which attempts to challenge the hegemony of neoliberal ideas were nullified and ultimately reintegrated back into the neoliberal status quo. I focus predominantly on political discourse in the United Kingdom and United States, and utilise a corpus of texts comprised of newspaper articles, politician’s speeches, thinktank output and documents from the G20 world leader’s summits convened in response to the crisis. Drawing on the documents within my corpus, I identify five different narratives of the crisis, ranging from those critical of the free market, to allegedly neutral scientific analyses of the free market, and those demanding the return of the free market in response to the crisis. Crucially, I emphasise that all five narratives of the crisis shared an implicitly neoliberal ontology, dividing the entirety of reality into the binary of the free market and the state, and hence even those narratives that were critical of neoliberalism were unable to offer an alternative to the hegemonic neoliberal construction of reality.

Chapter 5 begins with the onset of the crisis, examining the narratives that responded to the crash on Wall Street. I suggest that because Wall Street had been so widely constructed as the exemplar of neoliberal capitalism, the neoliberal discourse was initially unable to make sense of how the crisis could originate from within the previously hallowed pillars of the free market order. However, my corpus also demonstrates that implicit neoliberal presumptions remained deeply embedded in the narratives critiquing the free market that were briefly dominant during the onset of the crisis. Accordingly, I suggest that critical accounts of neoliberalism in the crisis were constructed according to the logic of the hysteric's discourse, and were only able to offer policy reforms that ultimately reinforced the market as dominant economic structure.

In chapter 6, I focus on the response phase of the crisis. Here, I foregrounded neoliberal narratives constructed according to the logic of the university discourse. In contrast to the master discourse, which took the infallibility of the free market as axiomatic, the university discourse could concede some limited failings of the free market, but then proceeded to argue from a position of supposedly post-ideological objectivity that the balance of evidence still supported a return to the free market. I suggest that the university discursive form played a critical role in thwarting the demands for reform of financial regulation, with proponents of the university discourse ultimately persuading G20 world leaders that banking regulation remained a highly complex and technical area of public policy, best left to the supposedly neutral expertise of the largely neoliberal banking experts. Chapter 6 also examines the 'true free market' narrative, of which President Obama was the most compelling proponent. According to the true free market narrative, the crisis was caused not by the free market, but rather by excessive deregulation distorting the 'true' principle of the free market. Reshaping the crisis to fit the narrative frame of the neoliberal fantasy, Obama concluded that lapse and corrupt state regulators were ultimately responsible for the crash, and that all that was required was the

return of the 'light touch' regulatory approach that constituted the 'true' principle of the free market.

Finally, chapter 7 focuses on the aftermath of the crisis and the triumphant return of the free market master discourse. In the aftermath period, the 'austerity narrative' reconstructed the facts of the crisis to claim that state debt and interventionism were the underlying cause, and hence that the solution was the return of the free market in the form of austerity policies, privatisation and further deregulation. I find that by the Toronto G20 in June 2010, the focus of world leaders had turned almost entirely to fiscal consolidation and austerity policies, while concerns with regulatory reform had been replaced by demands for further deregulation of international markets. The final section of chapter 7 relates the five narratives of the crisis considered in the preceding chapters to broad electoral trends in the UK and US. The purpose is not to suggest that particular narratives can causally account for electoral outcomes, but rather to substantiate my claims regarding the failure of critical narratives of the crisis, and the return of neoliberal hegemony embodied in the success of austerity politics.

In concluding, I reflect on the possibility of thinking beyond the neoliberal horizon of free market and state, sketching the outline of an account of the crises of neoliberalism that can escape the confines of the neoliberal master discourse. Having previously considered accounts of the crisis constructed according to the logics of the master, university and hysteric discourses, my conclusion considers the final discursive structure enunciated by Lacan in the *Seminar on the Other Side of Psychoanalysis*, namely, the discourse of the analyst. By insisting on the possibility of alternatives, I suggest that Lacan's analyst discourse offers the means to craft new constructions of the political and economic that can finally transcend the narrow neoliberal preoccupation with market freedom.

Chapter 1: Literature Review

In the introduction, I framed my work around two guiding questions; what is neoliberalism, and how did neoliberalism survive its apparent demise in the Global Financial Crisis? In this chapter, I examine the significant bodies of literature addressing these two questions. Despite the extensive and ever-expanding scholarship on neoliberalism, it remains an essentially contested concept (Cahill and Konings 2017: 9; Peck 2018: xxii). Though most accounts agree that the phenomenon designated by the signifier 'neoliberalism' survived the crisis, what exactly that phenomenon is, and therefore in what sense it might be said to have survived, is heavily debated. I begin by surveying three competing understandings of neoliberalism. Firstly, I examine Marxist accounts which define neoliberalism as a particular ideology that supports the highly unequal and exploitative form of contemporary capitalism. Secondly, I survey Foucauldian accounts which understand neoliberalism as a form of governmentality, in which governance is achieved through the disciplinary effects of the market mechanism. Finally, I review literature examining the intellectual history of neoliberalism, which typically conceptualises neoliberalism as a particular variant of liberalism, distinguished from other variants such as classical or social liberalism.

Though I remain wary of the likely impossible task of adjudicating between the multitude of different accounts to finally discover the one 'true' definition of neoliberalism, I nevertheless highlight some of the most significant theoretical shortcomings in the Marxist and Foucauldian literatures. I suggest that the Marxist literature develops an epistemologically unsustainable distinction between the 'false' representations of the neoliberal ideology and the 'Real' of 'actually existing neoliberalism', whilst Foucauldian accounts rely on an instrumentalist theorisation of the state that largely blunts the analytical potential of Foucault's original account of neoliberalism as dominant discourse. I conclude by demonstrating what a Lacanian account of neoliberalism can offer, arguing that engaging questions of desire and affect is

crucial for understanding the survival of neoliberalism during the crisis. My approach to neoliberalism thus combines Foucault's original conceptualisation of neoliberalism as dominant discourse, the genealogical insights from the literature on the history of neoliberal thought, and the tools of Lacanian discourse analysis, to arrive at a theorisation of neoliberalism that can account for its enduring affective potency in spite of the repeated failures of the various policies carried out in the name of market freedom.

1.1 What is Neoliberalism?

The first question that guides this work is how to theorise the complex and multi-faceted phenomenon referred to as 'neoliberalism'. The concept of neoliberalism has an interesting and somewhat curious semantic history. When the term 'neoliberal' first entered common usage in the 1930s, it was a term invested with a clear positive valence, with several different groups claiming to be the true neoliberals (see for instance Friedman 1951; Rougier 2018 [1938]). However, in the following decades the supporters of neoliberal ideas gradually rejected the label, instead preferring classical liberal, libertarian, conservative or simply liberal (see for instance Friedman 2002: 5-6). Subsequently, the neoliberal signifier was taken up by its critics, such that most literature on neoliberalism today invests the terms with a strong negative valence (see Boas & Gans-Morse 2009 for a history of the semantic transformation of neoliberalism as signifier; see also Brennetot 2014). David Harvey's *A Brief History of Neoliberalism*, which outlined the rise of neoliberal politics under Thatcher and Reagan, and their spread around the world, was particularly influential in establishing neoliberalism as an object of critique (see also Bourdieu 1998; Klein 2007; Peck 2010a). For Harvey (2005: 2):

Neoliberalism is in the first instance a theory of political economic practices that proposes that human well-being can best be advanced by liberating individual

entrepreneurial freedoms and skills within an institutional framework characterized by strong private property rights, free markets, and free trade... There has everywhere been an emphatic turn towards neoliberalism in political-economic practices and thinking since the 1970s.

Following Harvey's work, there has been a rapid expansion of academic and non-academic literature addressing the concept of neoliberalism. For instance, the recent *Handbook of Neoliberalism* (2016) – not to be confused with *The Sage Handbook of Neoliberalism* (2018) – amply illustrates the rate of semantic explosion, featuring no less than fifty-four distinct contributions which apply the concept of neoliberalism to a diverse range of topics including authoritarianism, biopolitics, citizenship, gender, love, pedagogy, resilience, sex, the gothic, violence and whiteness.

The recent proliferation of literature on neoliberalism has led to renewed debates regarding how exactly to define neoliberalism (Peck 2018: xxii-xxiv). That neoliberalism as a conceptual framework has become overstretched, meaning all things to all people, is generally the starting point of critical contributions. To offer just a brief sample, neoliberalism has been variously described as 'oft-invoked but ill-defined' (Mudge 2008: 703), 'a conceptual trash heap', (Boas & Gans-Morse 2009: 156), 'an academic swearword' (Hartwich 2009: 28), 'a polysemic, confusing and contradictory label' (Brennetot 2014: 1), 'a loose and shifting signifier' (Brown 2015: 20), 'hopelessly confused' (Mair 2015: 917) and 'so baggy and unclear that it means almost nothing' (Laidlaw 2015: 914). Other accounts claim that in its attempts to apply neoliberalism to all things and all places, the scholarship on neoliberalism largely obscures, reinforces and even reproduces the problems it claims to critique (see Barnett 2010; Ganti 2014: 98-9; Dunn 2017; Welsh 2020). That the literature on neoliberalism has grown to become unwieldy, imprecise and contradictory is now admitted by even the most partisan defenders of the usefulness of neoliberalism as concept (see for instance Mirowski 2018: 118). Accordingly,

a number of authors have recently concluded that the concept of neoliberalism is no longer useful (Birch 2017: 7) or else is simply unneeded (Mikler 2018: ix), and therefore should be abandoned all together (Venugopal 2015; Birch 2017; Dunn 2017).

In outlining my account of neoliberalism, and in explaining why the concept remains essential for an analysis of the contemporary condition, it is important to first situate my work in relation to the voluminous different understandings of neoliberalism. I also draw out some of the inconsistencies in the prevailing theoretical accounts of neoliberalism that have contributed to the criticisms noted in the previous paragraph, and conclude by demonstrating what a Lacanian approach to neoliberalism can offer.

Marxist approaches to neoliberalism

By the Marxist account, neoliberalism is in essence a class project that emerged in the late 1970s and 1980s and transformed capitalism in response to declining rates of profit (Harvey 2005; van Apeldoorn and Overbeek 2012: 4-5; Cahill 2014; Cahill and Konings 2017). As Cahill and Saad-Filho (2017: 612) put it, ‘neoliberalism is most usefully understood as the mode of existence of contemporary capitalism’ (see also Fine and Saad-Filho 2017). Adopting a largely instrumentalist account of the state, the Marxist literature suggests the capitalist class commanded governments to dismantle the power of trade unions, reduce the rates of corporate and personal taxation, and make deep cuts to the welfare state, thereby restoring higher rates of return for capital (van Apeldoorn and Overbeek 2012: 4-5; see also Flew 2014: 56-59). Further, contributors argue that the class-based nature of neoliberal policies was concealed by a rhetoric of freedom, self-sufficiency and hyper-consumption, with the free market ideology of neoliberalism effectively obscuring the ‘reality’ of inequality generated by neoliberal policies (Cahill and Konings 2017: 10; Peck *et al.* 2018). The thought of Italian Marxist Antonio Gramsci has been particularly influential within this literature, with authors suggesting

that neoliberalism constitutes a new ‘historical bloc’ – that is, a stable mode of production and social relations, maintained by a union of dominant social groups and a hegemonic ideology (see for instance Morton 2011; Saull 2012; Torres 2013; Williams 2019).

Though the account of neoliberalism as ideology provides a useful analysis of neoliberal ideas, it encounters some difficulties in theorising the exact relationship between neoliberal ideas and the material reality deemed ‘neoliberal’. Critical literature on neoliberalism now largely recognises that there are significant discrepancies between the ideology articulated by normatively neoliberal thinkers, and the policies implemented by purportedly neoliberal states. Most notably, the literature points to ‘significant discrepancies between neoliberal theory and practice with respect to the size and scope of the state’ (Cahill 2014: 14), as contrary to the neoliberal demand for the withdrawal of the state from economic and social life, advanced neoliberal economies evidence a general trend of the continual growth of both state expenditure and authority (Peck 2010a; Cahill 2014; Birch 2015; Peck *et al.* 2018). To account for the gap between small-state free market ideology and the persistence of powerful states in supposedly neoliberal economies, critical political economists have developed the concept of ‘actually existing neoliberalism’ (Brenner 2000; Wacquant 2012; Peck *et al.* 2018), which claims to examine neoliberalism not as it is theorised by neoliberal ideologues, but rather as it exists in practice (Konings 2012: 55). Marxist accounts thus increasingly rely on a distinction between neoliberalism as ideology, and the ‘reality’ of actually existing neoliberalism.

My problem with the actually existing neoliberalism framework is that it adopts an essentially circular mode of reasoning, determining the economy to be neoliberal in advance, and only then examining the economy to find evidence of the features of actually existing neoliberalism. Regardless of whether the economy therefore corresponds to neoliberal ideas, its features are classified as neoliberal *a priori*, often leading to policies explicitly rejected by normatively neoliberal thinkers being defined as aspects of actually existing neoliberalism. For example,

though neoliberal thinkers consistently argued that states should not engage in any form of financial support for corporations (see Becker 1985; Friedman 2002: 35, 181-2), recent research has suggested that subsidies for corporations and emergency bailouts constitute central features of actually existing neoliberalism (Konings 2010; Saad-Filho 2011; Hancock 2019). By framing practices such as corporate bailouts, nationalisations and Keynesian counter-cyclical fiscal policy as facets of neoliberalism, despite their explicit and repeated rejection by neoliberal thinkers, the neoliberal signifier is here stretched so far that it is rendered essentially meaningless, and loses purchase as an analytical category.

I suggest the problem is at root one of epistemology, with the Marxist neoliberalism literature relying on an unsustainable distinction between ‘ideology’ and ‘reality’, grounded in what Slavoj Žižek (2008: 24) calls ‘the most elementary definition of ideology...[that which] implies a kind of basic, constitutive *naïveté*’, and according to which the role of the intellectual is to encourage the ‘throwing away of the distorting spectacles’ to reveal things as they really are. For instance, analysing neoliberalism in the crisis, Marxist author Alfredo Saad-Filho (2011: 242) contrasts the ‘rhetorical gyrations’ of neoliberalism’s ‘deliberately misleading representations of reality, concocted to confuse the audience and stultify the opposition’ with ‘Marxian assessments of the crisis, being grounded upon the realities of accumulation and located within systemic analyses of the class relations’. The shortcomings of this understanding of ideology in which the analyst claims to see through the mystifying ideological lies to discover the ‘true’ reality have been extensively highlighted (see Eagleton 1991, and the various contributions in Žižek 1994a, especially Žižek 1994b: 296-331). As Žižek (2008: 48) puts it:

In vain do we try to break out of the ideological dream by ‘opening our eyes and trying to see reality as it is’, by throwing away the ideological spectacles: as the subjects of such a post-ideological, objective, sober look, free of so-called ideological prejudices,

as the subjects of a look which views the facts as they are, we remain throughout ‘the consciousness of our ideological dream.’

As Lacan (2006: 688) consistently foregrounded, there is no ideologically neutral ‘meta-language’ which would allow us to directly access the ‘Real’ of actually existing neoliberalism. Accordingly, in this work I favour an understanding of ideology influenced by the post-Marxist position, which seeks not to contrast the empty ideas of neoliberalism with the sordid neoliberal ‘reality’, nor to expose a ‘false consciousness’ that leads the masses to support neoliberalism, but rather analyses the role of neoliberal discourse in constructing the objects and subjects that make up our social reality. The most pertinent question from this perspective is not why we continue to think the free market works for all when in fact it only favours the narrow interests of a particular class. Rather, we should ask why we continue to designate the objects of our analysis as the ‘free market’ and the ‘state’, a particular construction of economic reality that originates in neoliberal thought.

Neoliberalism as dominant governmentality

The approach I articulated in the preceding paragraph is far more akin to the Foucauldian approach to neoliberalism developed in the governmentality literature (see Gane 2012; Dean 2014, 2017; Brown 2015; Schram and Pavlovskaya 2017; Mavelli 2017; Glenn 2019). Building both on Foucault’s own account of neoliberalism and his broader theoretical oeuvre, the governmentality literature theorises neoliberalism as a dominant discourse, suggesting that neoliberalism is not a straightforward exercise of class power, but rather spreads ‘more subtly, through transformations of discourse, law, and the subject that comport more closely with Foucault’s notion of governmentality’ (Brown 2015: 47). In *The Birth of Biopolitics*, Foucault (2008: 32) claimed that 18th century liberalism precipitated the emergence of the market as a truth setting ‘regime of veridiction’, which challenged the *raison d'état* of the sovereign, and

created a new form of governmentality within the economic domain. However, classical liberalism distinguished the economic domain from the political, social, familial and religious elements of human existence (Held 1996: 96), limiting the authority of the market to the economic domain. The key transformation of neoliberalism, by Foucault's (2008: 116, 243-6) account, is to extend the 'economic grid' of the market into every sphere of human existence, mandating an accompanying extension of the market as a site of veridiction. According to Brown (2015:67), 'with neoliberalism the market becomes *the*, rather than *a* site of veridiction, and becomes so for every arena and type of human activity' (see also Gane 2012: 613).

The Foucauldian understanding of neoliberalism has become prominent in the aftermath of the Global Financial Crisis, as critical accounts attempt to explain how supposedly neoliberal states could engage in extensive interventions in the marketplace to support large corporations. Foucauldian accounts highlight that in contrast to understandings of neoliberalism as the withering away of the state and the rise of a hegemonic free market (see for instance Bourdieu 1998; Saad-Filho and Johnston 2005), neoliberal thinkers believed the state must play an important interventionist role to secure and maintain a functioning market order. As Foucault (2008: 132) put it in a frequently cited passage, 'neo-liberalism should not therefore be identified with laissez-faire, but rather with permanent vigilance, activity and intervention'. Using Foucault's insight that neoliberalism could warrant intervention to support the market, authors such as Mitchell Dean and William Davies have argued that it makes perfect sense that the state should intervene to protect the banking sector in a time of crisis, and then use austerity policies and welfare state retrenchment to displace the cost of the bailout onto the most vulnerable. Rather than the crisis representing a departure and then sudden return to neoliberalism, by this account government strategies during the crisis were just the neoliberal system working exactly as it was meant to all along. As William Davies (2018: 280) puts it, relying explicitly on Foucault to inform his theorisation of neoliberalism, 'the rescue of the

financial sector in 2008-09 using public finance demonstrate the leeway that the neoliberal state possesses, when it comes to acting quickly and radically to maintain key parts of the economic architecture'. Also relying on Foucault, Mitchell Dean (2017: 24) suggests that 'at the onset of the financial crisis, it [neoliberalism] called for bank bailouts and quasi-nationalizations of certain industries deemed 'too big to fail''.

In its recognition of the contingent relationship between truth and power, and its foregrounding of the discursive constitution of neoliberalism, the Foucauldian literature helps remedy some of the defects within the conventional Marxist approach to neoliberalism. However, for all its potential, accounts such as those of the GFC described in the previous paragraph largely return to the instrumentalist theory of state that Foucault sought to challenge (Maher 2021), most evidently in their accounts of the 'neoliberal state' (see for instance Davies 2018). As Flew puts it, the Foucauldian literature on neoliberalism tends to 'reproduce three concepts that Foucault himself repeatedly distanced his own work from: a top-down analysis of power; a state that is able to act on society as a relatively unified and coherent institutional entity; and a dominant ideology that operates as a form of social control and 'social glue', binding the masses to elite political-economic projects' (Flew 2014: 60; see also Barnett 2005). In his own work, Foucault not only rejected the possibility of a neoliberal state, but further explicitly rejected the possibility of any general theory of the state. Contrasting his methodology to structuralist Marxist approaches which viewed the state as an instrument of capitalist rule (see for instance Althusser 1971; Poulantzas 1978), Foucault (2008: 76-7) stated that 'I want to, I must do without a theory of state, as one can and must forgo an indigestible meal' (see also Foucault 2007: 109). The point Foucault is making through the 'indigestible meal' metaphor is that a theory of state conflates too many diverse practices and discourses into a naturalised and universal single actor, which cannot easily be deconstructed again. Accordingly, if an analysis begins with a theory of the state, it has in a sense already obscured what should be

most crucial in the analysis of governmental regimes of practice. The Foucauldian accounts of neoliberalism are therefore weakened by the tendency to treat the state as a unified and coherent institutional actor which has been appropriated by neoliberals as an instrument of governance. For Foucault, an analysis of neoliberalism should not simply take the state for granted, and then proceed to say, ‘Look, the state is implementing these neoliberal practices on those poor unsuspecting people!’ Instead, an analysis of neoliberalism should attempt to ‘locate the emergence of a particular type of rationality in governmental practice, a type of rationality that would enable the way of governing to be modelled on something called the state’ (Foucault, 2008: 3-4). Foucault’s analysis of neoliberalism thus operates within the productive, discursive model of power that is evident in his broader milieu, rather than an instrumentalist account of certain individuals capturing the state and then using it to implement their particular form of coercive governance. As Foucault put it in *Discipline and Punish* (1991: 194), ‘we must cease once and for all to describe the effects of power in negative terms: it “excludes”, it “represses”, it “censors”, it “abstracts”, it “masks”, it “conceals”. In fact, power produces; it produces reality; it produces domains of objects and rituals of truth.’ It is far better to start with the question of who exactly is speaking or acting – that is, who is demanding a bailout, how does the neoliberal discourse construct the state, and how are austerity policies being justified? – rather than beginning with the analytical frame of the state which inevitably obscures the most important aspects of neoliberal discourse and practice. In this work, I therefore follow the more genealogical and discursive approach to neoliberalism originally articulated in *The Birth of Biopolitics*, rather than the later attempts to understand state behaviour within the Foucauldian tradition.

Neoliberalism as a variety of liberalism

The final category of literature on neoliberalism is that which understands neoliberalism as a particular variant of liberalism, which can be distinguished from other variants such as classical and social liberalism. This category of literature is less distinct, with some of the authors previously discussed also understanding neoliberalism as a particular liberal variant. For instance, Foucault carefully distinguished neoliberalism from the nineteenth century tradition of classical liberalism, whilst literature in the Marxist tradition also contrasts the ‘classical liberal’ and ‘neoliberal’ eras of capitalism (see for instance Harvey 2005; Howard and King 2008). The conceptualisation of neoliberalism as a variant or reformulation of classical liberalism is most prominent in accounts examining the history of neoliberal thought, which has been the subject of increased attention in the aftermath of the Global Financial Crisis (Cahill 2015: 201), including in the works of Peck (2008, 2010a), Mirowski and Plehwe (2009), Van Horn, Mirowski and Stapleford (2011), Burgin (2012), Jones (2012), Mirowski (2013), Mirowski and Nik-Khah (2017), Baldissoni (2018), Slobodian (2018), Wilson (2018), Whyte (2019) and Innset (2020). The existing literature offers extensive archival research which has helped to document the institutional contexts within which the discourse of neoliberalism was originally articulated, and subsequently spread around the world. In explaining the spread of neoliberal ideas, these various accounts have foregrounded the trans-national network of scholars built around thinktanks such as the Mont Pelerin Society, the role of donor support, and political strategy. More recent contributions have also highlighted the importance of racial and gender hierarchies in neoliberal thought, challenging previous accounts of neoliberalism as a narrowly economic doctrine that nominally supports racial and gender equality in the name of market freedom. As Jessica Whyte puts it, ‘the [neoliberal] subject of social and economic rights was emphatically not an abstract, universal subject. Rather, race and gender marked the borders of entitlement, and designated this subject as a white, male, heterosexual’

(Whyte 2019: 61; see also Cooper 2017; Slobodian 2018; Cornelissen 2020; Salzinger 2020; Maher *et al.* 2021). I engage in more depth with the literature on the history of neoliberal thought in chapters 3 and 4, which draw on the various works noted here to examine the history of the neoliberal discourse.

Towards a Lacanian account of neoliberalism

This necessarily partial review of the burgeoning literature on neoliberalism demonstrates that critical accounts are correct to point to the explosion of semantic meanings vested in the term ‘neoliberal’. That the neoliberal signifier ‘floats’, meaning many different things to different people in different times and places, is from the epistemological perspective adopted here a problem of the nature of signification, rather than an inherent feature of neoliberalism that could be fixed with a definitive definition. What then can a Lacanian account of neoliberalism add to this extensive body of thought? My argument in this work is that by engaging psychoanalytical concepts such as desire and affect as they are produced by discourse, the Lacanian framework is best situated to theorise the enduring appeal of neoliberalism. The Foucauldian literature covers some similar ground, most notably in foregrounding the discursive constitution of neoliberalism, and in the use of the concept of governmentality to account for how neoliberalism governs in practice. However, if the Foucauldian theoretical endeavour is to trace the origins of the neoliberal discourse to show that it is arbitrary and contingent, and always could have been otherwise, this perspective inevitably has less to say about what in particular makes the discursive formation of neoliberalism attractive and enduring. Accordingly, the Foucauldian literature has less to offer regarding the question of why neoliberalism remains dominant relative to other discourses, and it is on this question that I believe the Lacanian approach to discourse analysis has the most to offer. In contrast to Foucault, Lacan’s psychoanalytical approach directly engages questions of how a particular

discourse ‘hooks on’ (Lacan 2007: 189) to its subjects, and why it remains dominant over that speaking subject despite the discourse’s apparent failings (for a similar account of choosing Lacan to supplement Foucault see Wilson 2014a; see also Epstein 2016). By utilising psychoanalytical concepts such as desire and fantasy, as well as Lacan’s heuristic of the four discourses, a Lacanian discourse analysis can help explain what it is in particular about the neoliberal discourse that has allowed it to remain so dominant in spite of its apparent failings in the GFC.

In contrast to the Marxist and Foucauldian literatures, Lacanian theorisations of neoliberalism are relatively scarce, but there does exist a limited body of scholarship demonstrating the fruitful application of Lacanian insights to neoliberalism both in the GFC and more generally. Lacanian approaches have particularly foregrounded the notion of fantasy in neoliberal discourse (Dean 2008, 2009; Uluorta 2008; Vadolas 2012; Wilson 2014a, 2014b, 2014c; Gunder 2016; Hoedemaekers 2019), suggesting that the GFC constituted the traumatic breakdown of the neoliberal fantasy (Fotaki *et al.* 2010; Wilson 2014a), but that the temporary breakdown was quickly repaired by fantasies of ideological renewal and a return to the glorified pre-crisis past (Bloom 2016). Roberts and Ng (2012) utilised a Lacanian framework to critique the reified individual of neoclassical economics, while Jones (2011) similarly highlighted the subjectification of the market inherent to neoliberal discourse. Finally, both Vighi (2015) and Mura (2015) have applied Lacan’s concept of the discourse of the capitalist to the aftermath of the crisis, suggesting that Lacan can help theorise the ‘illiberal’ turn taken in capitalist discourse after the crisis. Lacking from this literature though, with the exception of Wilson (2014a), is a sustained empirical engagement with neoliberal discourse ‘in the field’. Hence, I seek to build on the Lacanian theorisation of neoliberalism by engaging in a systematic empirical examination of neoliberal discourse during the Global Financial Crisis, with a particular focus on the heuristic of the four discourses, which is outlined in chapter 2.

1.2 The Problem of Neoliberal Survival in the Crisis

The second theoretical problem I articulated in the introduction was how to account for the survival of neoliberalism in the GFC. Following the outbreak of crisis in 2008 and subsequent recession in most advanced economies, there was a widespread expectation that the era of neoliberalism and free market economics was finally over (see for instance Wallerstein 2008; Wade 2008; Kotz 2009; Žižek 2009). However, with the aid of hindsight it is clear that the paradigmatic change proclaimed so giddily in 2008 failed to eventuate, with the apparent Keynesian revival rapidly dissipating, replaced by an intensification of neoliberal orientated policies such as austerity, marketisation and renewed rounds of privatisation (Crouch 2011; Peck *et al.* 2012; Blyth 2013: 56-32). Hence, the obvious puzzle posed by the GFC is why did change fail to eventuate, and why did the crisis of the free market appear to lead to the intensification of the free market (see for instance Callinicos 2010: x; Crouch 2011: viii; Morgan *et al.* 2011: 148; Schmidt and Thatcher 2013: 13-14, 2014: 340-341; Mirowski 2013; Davies 2014: 2; Mavelli 2017: 489; Hancock 2019: 1; McDonagh 2019: 33). Unsurprisingly, the problem of the survival of neoliberalism in the crisis has received extensive scholarly attention. In this section, I parse six different accounts of the survival of the free market.

1. The crisis was too small to generate paradigmatic change

During the onset of the GFC, the crisis was frequently compared to the Great Depression of the 1930s, with various commentators suggesting that just as the Great Depression had ushered in a new economic order of managed capitalism, the GFC would necessitate a shift to a new paradigm of capitalism in which the state would play a far more prominent role (see for instance Beck 2008; Krugman 2008c; Balls 2009). However, over time the economic data evidenced that although the GFC was a significant crisis, by most metrics its severity was not comparable

to the Great Depression. For instance, US unemployment during the Global Financial Crisis peaked at 10.6%, while during the Great Depression unemployment reached 25%, and remained above 14% for the entirety of 1931-1940 (Kochhar 2020). Accordingly, as economies began to emerge from the crisis without significant economic reform, some accounts suggested that the GFC was not of sufficient magnitude to generate paradigmatic change. For instance, Chicago economist and leading neoliberal thinker Gary Becker argued that ‘if this recession had got a lot worse, we would have seen two major changes: much more government intervention in the economy and a lot more concentration in economics in trying to understand what went wrong’ (Becker, comments in Cassidy 2010). To the contrary, Becker maintained that by mid 2010 ‘fundamentally, the recession is over...this recession pales in comparison [to the Great Depression]’, and hence ‘we are not going to have anything like the reaction we had at that point’ (comments in Cassidy 2010). Similarly, Daniel Drezner (2014: 143) argued that despite rhetoric about free market failure, ‘the neoliberal ideas of the Washington Consensus continued to act as a guide for key actors’ during the crisis, and that these principles had been largely successful in averting a more serious recession, and maintaining free trade and open markets. Accordingly, Drezner predicted that neoliberal principles would continue to shape global economic governance.

Other perspectives that were more critical of neoliberalism also concurred with Becker and Drezner’s argument that the crisis had not reached a significant enough degree of severity to generate change. For instance, Alfredo Saad-Filho (2011) suggested that the emergency state interventions in the banking sector had effectively contained the fallout of the crisis, ensuring that it was a crisis *in*, rather than *of* neoliberalism. Similarly, Bob Jessop (2012: 37) maintained that, at least from the perspective of capitalist elites in advanced economies, ‘the financial crisis appeared to have been managed relatively effectively within a broadly neoliberal framework’, with Wigger and Buch-Hansen (2012: 25) agreeing that bailouts had allowed ‘the restoration

of the social power configuration supporting the neoliberal project', therefore making substantive change unlikely.

2. The power of capital blocked substantial change

A second account of neoliberal survival, most prominent in Marxist political economy, argued that the organised power of capital successfully thwarted demands for change. By the Marxist account, the crisis was an inevitable outcome of the contradictions inherent in neoliberal capitalism (Duménil and Lévy 2011), with many initially suggesting during the onset of the crisis that the system would collapse under the weight of its own contradictions (see for instance Wade 2008; Wallerstein 2008; Kotz 2009). However, once it became clear that neoliberalism had not only survived but was actually intensifying in crisis conditions, Marxist explanatory accounts returned to the balance of class forces, suggesting that the capitalist class was able to leverage their power to block substantial reform of the economy. For David Harvey, the response to the crisis matched the patterns of the preceding decades, demonstrating the basic neoliberal principle that 'state power should protect financial institutions at all costs' (Harvey 2009). Adopting an instrumentalist theory of the state, Harvey (2009) suggested that in the crisis the capitalist class essentially demanded that the state 'protect the banks and destroy the people', with the bailouts and other solutions alleviating the crisis 'not for working people but for the capitalist class.' Other accounts both from within and outside the Marxist tradition focused attention on the role of corporations in controlling political decisions, suggesting corporate forces leveraged their power to effectively shut down reforms in the aftermath of the crisis (see Hacker and Pierson 2010; Crouch 2011; Streeck 2011; van Apeldoorn and Overbeek 2012; Dunn 2014; Lazzarato 2015; Varoufakis 2016). Eric Helleiner emphasised the structural power exercised by the United States government, which used the G20 forums to preserve the system of neoliberal capitalism that best served US corporate

interests (Helleiner 2014; see also Konings 2010). The historic decline of the trade unions and labour power during the neoliberal era was also noted as a factor mitigating against substantive change, allowing ‘capitalists, and the states that look after their interests...to take advantage of the crisis to shift the balance of forces to the further disadvantage of organized labour’ (Beckman 2012: 238; see also Hacker and Pierson 2010; Visser 2016). With the opponents of neoliberalism lacking the political power to challenge neoliberalism, Marxist accounts maintained that the system instead defaulted to the interests of those who held power before the crisis, leading to the restoration of neoliberal capitalism.

3. Neoliberalism intensifies through crisis

A third account of neoliberal survival suggested that intensification through crisis is the *modus operandi* of neoliberal capitalism, and therefore that crises leading to the reproduction of the free market is simply the way the system works. Particularly influential here was Naomi Klein’s (2007: 9) concept of the ‘shock doctrine’, which claimed that neoliberalism spreads by ‘exploiting crises and disasters’, using the confusion that follows times of disorder to circumvent democratic systems and push through unpopular policies that would face widespread opposition in ‘normal’ times. Applying the shock doctrine to the financial crisis, Klein claimed that neoliberal politicians exploited the crisis to implement further policies of deregulation and austerity, using the pretext of a purported government debt crisis to justify cuts to social spending and healthcare that would otherwise have been politically impossible (Klein 2008b; see also Fraser *et al.* 2013: 48; Dean 2014: 157; Newsinger 2015). As Peck *et al.* (2012: 265) put it, ‘neoliberalism has once again demonstrated a capacity to capitalize on crisis conditions, leading to a further entrenchment of market-disciplinary modes of governance...crises have repeatedly served as moments of (re)animation and renewal for the neoliberal project, and the Great Recession has been no exception’ (see also Brenner *et al.*

2010; Peck 2010a, 2013). Also notable here is the theorisation of ‘zombie neoliberalism’ (Peck 2010b; Quiggin 2012; Mirowski 2013: 240), and ‘mutant neoliberalism’ (Callison and Manfredi 2019), which suggests, as Peck (2010b: 109) puts it, that neoliberalism is ‘dead but dominant... The brain has apparently long since ceased functioning, but the limbs are still moving, and many of the defensive reflexes seem to be working too’.

The Foucauldian literature on neoliberalism similarly maintained that neoliberalism thrives in times of crisis, suggesting that the GFC was ‘a source of renewal’, and that neoliberalism ‘has become so embedded in governmental practices, everyday politics, and culture, and perhaps even our subjectivities that it has proved very difficult to resist and redirect’ (Dean 2017: 24; see also Schram and Pavlovskaya 2017). Luca Mavelli used a Foucauldian biopolitical frame to suggest that government acts of intervention to secure the stability of financial markets were not a departure from neoliberalism, but rather constituted the necessary disciplining actions of the state securing the survival of market forms of governmentality (Mavelli 2017; see also Joseph 2013; Dean 2014; Davies 2014; Brown 2015; Glenn 2019). The Foucauldian literature therefore argued that the interventions of the state to preserve neoliberal capitalism during the crisis constituted further evidence for Foucault’s (2008: 132) claim that ‘neo-liberalism should not therefore be identified with laissez-faire, but rather with permanent vigilance, activity and intervention’.

4. Opponents of neoliberalism did not have a credible alternative

Another explanation offered for the survival of neoliberalism, which overlaps to an extent with many of the other accounts, was that the opponents of neoliberalism lacked a credible alternative. Although the failures of neoliberalism were made evident during the crisis, as van Apeldoorn and Overbeek (2012: 3) put it, ‘there appears to be no counter-hegemonic project’,

leaving neoliberalism ‘intellectually discredited yet apparently immovable due to the absence of “feasible” alternatives’ (Bruff 2014: 114; see also Williams 2019: 216). George Monbiot (2016) contrasted the crises of the 1970s, from which neoliberalism first emerged, with the GFC, noting that ‘when Keynesian demand management hit the buffers in the 70s, there was an alternative ready. But when neoliberalism fell apart in 2008 there was ... nothing.’ In an analysis of the documents produced at the G20 crisis summits, Drezner (2014: 148) highlights the recurrence of neoliberal ideas ‘cut and pasted from previous communiqués and official documents’, suggesting that bereft of new ideas, the G20 defaulted to previous neoliberal wisdom. Contributions within the Foucauldian literature on neoliberalism also highlighted the lack of alternatives, developing Foucault’s thesis that ‘the left, caught in the grip of resistance to capitalism, failed to invent its own art of government’ (Cruikshank 2017: 241). Finally, other accounts have suggested that the apparent lack of alternatives is a distinctive feature of neoliberal hegemony, citing Margaret Thatcher’s famous insistence that ‘There Is No Alternative’ to free market globalisation (see for instance Wilson 2018: 47; Queiroz 2018). That the paucity of apparent alternatives is a result of the naturalisation of neoliberal ideology has also been argued by Mark Fisher (2009: 8), who noted ‘the widespread sense that not only is capitalism the only viable political and economic system, but also that it is now impossible even to imagine a coherent alternative to it’.

5. Reactionary populism is a delayed response to the crisis

Contrary to accounts of neoliberal resurgence, some authors maintain that a gradual paradigm shift away from neoliberalism is occurring after all, and that the rise of populist politicians ambivalent towards free market principles is a delayed response to the crisis. While some believe that the electoral victories of populist-nationalist leaders around the world represent only ‘a new and more virulent form of neoliberalism’ (Rasmus 2019: 31; see also Dean 2017),

others suggest that ‘the string of right-wing political parties gaining the upper hand in elections across Europe and now joined by Donald Trump’s victory in the U.S. election points to a much bigger phenomenon: the collapse of the neoliberal economic and political order’ (Bazian and Leung 2018: 155; see also Gusterson 2017). Wolfgang Streeck (2017) frames the resurgence of populism as a ‘return of the repressed’, suggesting that following decades of economic decline, climaxing in the enforced austerity programs after the GFC, electorates have finally tired of neoliberalism, and have accordingly turned to radical alternatives on both the left and the right. Cahill and Saad-Filho (2017: 611) suggest that ‘the rise of radical left-wing parties in Greece, Spain, Portugal and elsewhere, and the popularity of leaders such as British Labour’s Jeremy Corbyn, or Bernie Sanders in the USA, are direct reactions to the devastating effects of enforced neoliberal austerity’, and further, that ‘echoes of dissent against neoliberalism, however distorted, can also be heard in the successful ‘leave’ campaign in the British referendum on its EU membership, [and] in some of Donald Trump’s economic policies’. Nancy Fraser (2016: 261) also theorises both left and right populism as delayed reactions to the GFC, suggesting that ‘although they differ in ideological valence and programmatic orientation, these electoral mutinies share a common target: all are rejections of “globalization”, “neoliberalism”, and the political establishments that have promoted them’. The narrative that populism has delivered the much-delayed end of neoliberalism is also prominent in media accounts, which suggest that we are only now ‘finally beginning to reap the political whirlwind of the financial crisis’ (Jacques 2016; see also Sitaraman 2019; Gerstle 2021).

6. Neoliberalism remains a dominant discourse

The last body of literature I examine, which is closest to where I situate my own work, foregrounds ideational factors internal to neoliberalism, arguing that neoliberalism remains a

compelling and attractive discourse, and hence in spite of its failings, continues to command sufficient popular consent to resist alternatives. Prominent here is the neoliberal theology literature, which suggests that ‘neo-liberalism may be closer to a religion or ideology than to a practical set of policies’ (Schmidt and Thatcher 2013: 29), and hence that the ideas of neoliberalism are, in a certain sense, immune to falsification by failure (see Martin 2012; Peters 2018; Kotsko 2018; Klotz and Medovoi 2021). A significant contribution addressing neoliberal ideational dominance during the crisis is also evident within the Critical Discourse Analysis (CDA) approach. Focusing on the problem of neoliberal survival, CDA accounts have suggested that elite actors employed discourse as a tool to conceal the contradictions in contemporary capitalism which manifested in the GFC, thereby supporting a return to business as usual (see De Cock *et al.* 2011, 2013; Lischinsky 2011; Bourne and Edwards 2012; De Ville and Orbie 2014; McDonagh 2019).

Related to CDA, literature within the discursive institutionalist approach has contended that the influence of neoliberal ideas within the various institutions of governance best account for their survival. For instance, Vivian Schmidt locates the resilience of neoliberalism in the concept of ‘background ideas’, suggesting that ‘neo-liberalism has managed to infuse people’s deepest assumptions about the possible and thereby to set the limits of the imaginable with regard to political economic action’ (Schmidt 2016: 318; see also Jones 2013). Drawing on the various contributions in their edited volume *Resilient Liberalism in Europe’s Political Economy*, Schmidt and Thatcher (2013: 1-2) offered five lines of analysis as possible explanations for neoliberal resilience:

first, the generality, flexibility, and mutability of neoliberal ideas themselves; second, the gap between neo-liberal rhetoric and a reality in which they are not implemented; third, their advantages in policy debates and political discourse compared with alternatives; fourth, the power of interested actors who strategically adopt and promote

neo-liberal ideas; and, fifth, the force of the institutions in which neo-liberal ideas are embedded.

Though some of these factors can obviously be understood within a materialist or positivist account of neoliberalism, the general tendency here is to an immanent reading of neoliberalism, which locates its hegemony in the peculiar attractiveness of neoliberalism as a body of ideas.

The final account of neoliberalism in the crisis I want to consider in some depth is Philip Mirowski's *Never Let a Serious Crisis Go to Waste*. Mirowski (2013: 11) offers an 'intellectual history of the crisis and its aftermath' that foregrounds the role of ideas in preserving neoliberalism, suggesting that 'our culture is held in thrall to dead and rotten ideas concerning the economic crisis', and that 'neoliberal ideas have come to thwart and paralyse their opponents on the Left' (Mirowski 2013: 18, 15). For Mirowski, neoliberal ideas are so deeply infused in both public policy and everyday life that even their spectacular failure in the crisis was insufficient to generate change. Mirowski contends that in the aftermath of the crisis, governments defaulted to neoliberal common sense, intervening temporarily to protect the market system from collapse, but then returning to neoliberal policies of austerity and marketisation. Governments thus transformed a crisis of neoliberalism into an opportunity for the intensification of neoliberalism.

In demonstrating how neoliberal ideas became so pervasive that they were immune to falsification by events in the 'real' economy, Mirowski's account clearly has a lot to offer. Mirowski is also able to locate the emergence and dissemination of neoliberal ideas in the Mont Pelerin Society, and the other subsequent institutions created by neoliberal thinkers. However, despite foregrounding ideas in his account of neoliberal survival, Mirowski still turns to material factors to explain why states acted to preserve neoliberalism in the aftermath of the crisis, developing an implicitly instrumentalist theory of state capture that undercuts the dynamic of discursive dominance described elsewhere in his work. In a manner similar to that

I noted in the works of Dean and Davies, Mirowski takes for granted a unified and coherent state, which he contends has been captured and repurposed by neoliberals to serve their particular aims. Mirowski's (2013: 40) instrumentalist conception of the state is evident in his claim that the distinguishing characteristic of mature neoliberalism is 'a set of proposals and programs to infuse, take over, and transform the strong state, in order to impose the ideal form of society, which they conceive to be in pursuit of their very curious icon of pure freedom', and further that 'a primary ambition of the neoliberal project is to redefine the shape and functions of the state, not to destroy it' (Mirowski, 2013: 56). To account for the ability of neoliberals to capture the state and use it to impose their own ends from above, Mirowski is forced to come up with increasingly farfetched causal explanations. He contends that the 'neoliberal thought collective', a group of neoliberal intellectuals operating according to 'Leninist' organisational principles, have perpetrated a campaign of misinformation known as the 'double truth doctrine' (Mirowski 2013: 86; see also Dean 2014: 153). The double-truth doctrine claims that neoliberal intellectuals, and particularly neoliberal thinktanks, deliberately spread misinformation and propaganda, publicly advocating for free markets and the withering away of the state, but privately organising to capture the state and deploy its coercive apparatuses to create a market society. As Mirowski (2013: 444) puts it, 'an elite would be tutored to understand the deliciously transgressive Schmittian necessity of repressing democracy, while the masses would be regaled with ripping tales of 'rolling back the nanny state' and being set 'free to choose''. For Mirowski this constituted a strategy of 'agnatology', according to which neoliberal thinktanks deliberately spread falsehoods and ignorance among the general population, to distract from the coercive neoliberal capture of the state.

The uncritical adoption of the state as the analytical starting point thus leads Mirowski to a theorisation of neoliberalism that 'requires the operation of an extraordinary conspiracy theory' (Cahill 2015: 41; see also Mann 2013), according to which a small group of intellectuals

organised at Mont Pelerin were able to not only deceive most of the western world, but also seize control of the levers of state power. Further, even if the conspiracy is conceded, Mirowski's double-truth doctrine still struggles to account for both the resources and evident ideological zeal with which neoliberal thinktanks attempt to persuade policymakers to limit the size and power of government. As Cahill (2015: 42) highlights, neoliberal thinktanks such as the Heritage Foundation primarily operate to influence public policymakers to adopt limited government and pro-free market policies, confounding Mirowski's claims that thinktanks were intended to merely distract the general public with false narratives about the free market. By reaching for material explanations of state capture, Mirowski sells short the potential of discursive accounts of neoliberalism, obscuring the point he recognises elsewhere in his text; namely, that neoliberalism is a discourse that does not capture subjects and institutions, but rather constitutes the very possibility of subjectivities and collective institutions such as the state.

This necessarily partial review points to the enormous body of academic literature that attempts to explain the survival of neoliberalism after the crisis. What I have identified then is not a traditional 'hole in the literature', but a cacophony of voices, all talking over each other in an attempt to answer the same question. Rather than attempting to add yet another definitive answer, my point of departure is to turn the question on its head, and instead of taking the survival of the free market as the key dependent variable to be explained during or after the crisis, I attempt to understand the prominence of the 'free market' signifier in constructing our accounts of the crisis. To understand the crisis as a material event, defined by a particular quantum of decline in financial market or economic growth, is to inadvertently reify the crisis, treating it as a natural and indisputable phenomenon, and thereby concealing the extent to which the very naming and constitution of a crisis is a discursive event in and of itself (Roitman

2013). As Hozic and True (2016: 10) highlight, ‘fictional and factual narratives have been historically entwined with financial crises and engaged in the (re)making of both economic structures and their meanings. The GFC is not an exception: it has been constructed through media representations and academic analyses as much as through government and corporate policies’.

Following the example of Foucault (1994: xiii), who in *The Order of Things* famously ‘left the problem of causes to one side’, I therefore propose to treat the Global Financial Crisis as a discursive rather than economic crisis. Accordingly, my central problematique is not the survival of the free market per se, but rather the survival of the free market as our central discursive referent in constructions of the economic, in light of the sustained discursive contest that occurred in the crisis. I understand the free market not as an object in the world, but as a hegemonic construction of our reality, and hence instead of searching for the silver bullet that might explain the survival of the free market as object, I trace the competing discursive narratives of the crisis, highlighting that in spite of contestation as to the efficacy of the free market, the free market signifier remained the central discursive construction in most pro- and anti-neoliberal accounts of the crisis. It is in engaging the question of what in particular makes neoliberalism dominant as a discourse – that is, as Ty Solomon (2015: 1) puts it, ‘why are some discourses more politically effective than others?’ – that I believe the Lacanian approach has the most to offer. To analyse the discursive contest of the Global Financial Crisis and understand the ubiquity of the free market signifier, I therefore utilise a theoretical framework primarily influenced by French psychoanalyst Jacques Lacan, the details of which are in the following chapter.

Chapter 2 The Lacanian Approach to Discourse Analysis

In this chapter, I outline the complex and multi-faceted approach to discourse developed by Jacques Lacan. In the first section, I provide an overview of the key concepts that ground the Lacanian approach to discourse analysis, describing Lacan's conception of language and his theorisation of the emergence of the speaking subject. I also consider Lacan's account of the subject's ultimately futile attempts at identification, driven by the 'indestructible persistence of unconscious desire' (Lacan 2006: 39), and note the role of master signifiers and fantasy in providing temporary stability to the otherwise constantly shifting constructions of identification and meaning. In the second section, I focus on Lacan's heuristic of the four discourses, as outlined in *The Other Side of Psychoanalysis*. I suggest that the conceptual framework of the four discourses helps understand the affective appeal of a particular discursive configuration, and is therefore crucial for understanding the enduring dominance of neoliberalism during the crisis.

2.1 General principles of Lacanian discourse analysis

Language, the split subject and the primacy of the signifier

The starting point of Lacan's theory of discourse is an extension of Swiss linguistic Ferdinand de Saussure's structuralist account of language. Challenging correspondence theories of language – that is, theories which claim each word corresponds to a particular material object in the world – Saussure (2013 [1916]: 75-81) argued that language is in fact a closed system or structure, in which each word or signifier refers not to an external signified, but only to other signifiers. As Epstein (2008: 7) puts it, synthesising Saussure's approach to language:

meaning thus emerges not from an inherent relationship of the word and the object, or between the signifier and signified, but from a contingent relationship between the

signifiers (or signs). Hence what “fills” a word or signifier with meaning – what renders it “meaning-full” – is for it to be set into relations with other signifiers within a discourse.

Though Saussure theorised the signifier as operating in a closed system, he nevertheless conceded some form of relation between the signifier and signified, suggesting that ‘together they produce something positive: the sign’ (Stavrakakis 1999: 23). Hence, despite the critique of the relationship between word and thing, there remains ‘a certain realist representationalism still haunting Saussure’s work’ (Stavrakakis 1999: 23-24). As Benveniste (1966: 44) puts it, in Saussure we find ‘the *thing*, expressly excluded at first from the definition of the sign, now creeping into it by detour, and permanently installing a contradiction there’. In contrast, Lacan follows other post-structuralist thinkers such as Derrida (1978) and Barthes (1987) in asserting that ‘everything emerges from the structure of the signifier’ (Lacan 1978: 206). Accordingly, for Lacan (1993: 185), ‘every real signifier is, as such, a signifier that signifies nothing’, devoid of any fixed referent, but conversely capable of being situated anywhere in a signifying chain of meaning. Where Saussure theorises unity between the signifier and signified, Lacan foregrounds division (Stavrakakis 1999: 24).

The emergence of meaning from the relationship between signifiers, rather than from the external material world, is aptly demonstrated by the following typical definition of the free market from the *Journal of Markets & Morality*:

When I speak of free markets or economic freedom, I essentially refer to the two principles that may be called the market principle (freedom and respect of contracts; freedom to start a business) and the property principle (recognition and protection of private property). More broadly, economic freedom includes closely related ideals such as low taxation, frugal public spending, the absence of corruption in public office, and monetary stability. Obviously, by economic freedom I do not mean greed or selfishness

or any other absence of moral constraint. Nor do I mean the type of capitalism that is typical of Europe and Latin America—what economists call crony capitalism. Juurikkala (2015: 258)

In an attempt to attribute meaning to the ‘free market’ signifier, the author immediately establishes relations of equivalence between the free market and two other signifiers, ‘the market principle’ and ‘the property principle’. These terms in turn are defined by their equivalence with further signifiers which follow in parentheses. The meaning of the free market is then further expanded by establishing relations of equivalence with ‘related ideals’ which include low taxation, frugal public spending and monetary stability. Finally, the author completes the definition by creating some relations of differentiation to establish what the free market is not; greed, selfishness or crony capitalism. The meaning of the signifier is created through relations of equivalence and differentiation with other signifiers, rather than from some extra-discursive material world. As Lacan consistently foregrounded, the signifier itself remains empty.

It is the emptiness of the signifier that is key to Lacan’s account of the subject. Throughout his work, Lacan developed ‘a topology intended to account for the constitution of the subject’ (Lacan 1978: 203), of which the entry into the symbolic world of language was crucial. Again building on Saussure, Lacan (2007: 13) claimed that the subject emerges from ‘the relation of one signifier to another’, and further that ‘all determination of the subject, and therefore of thought, depends on discourse’ (Lacan 2007: 152; see also Epstein 2011). Hence, for Lacan, the subject is not a biological individual, but is rather the locus of the signifying process, and the structural position from which one speaks:

The subject is its supposition...the subject represents the specific trait of being distinguished from the living individual. The latter is certainly its locus, where the

subject leaves its mark, but it isn't of the same order. (Lacan 2007: 13; see also Clemens and Grigg 2006: 3)

Following Freud, Lacan foregrounds the divided nature of the speaking subject (Epstein 2013: 300-2), claiming that the subject is constitutively alienated and lacking. The subject's alienation emerges:

from the central defect around which the dialectic of the advent of the subject to his own being in the relation to the Other turns – by the fact that the subject depends on the signifier and that the signifier is first of all in the field of the Other. (Lacan 1978: 204-5)

Put simply, on entering the world of language, the subject is reliant on signifiers already created by the Other(s), and accordingly becomes aware of the gap between their subjective experience and the language they must use to represent their experience. For instance, the signifier 'pain' will never fully capture my subjective experience which I am nevertheless forced to signify as 'pain'. Accordingly, Lacan's speaking subject is a subject of lack (Stavrakakis 1999: 26-9; Ruti 2008), with the entry into language experienced as a process of loss (Lacan 2007: 128-9), through which the speaking subject loses their imagined access to the pre-linguistic Real, and instead becomes enmeshed in 'the dominance that I [Lacan] assert the signifier has over the subject' (Lacan 2006: 45; see also Epstein 2011: 335-7). Lacan's subject is thus fundamentally divided, represented by the symbol \$, which captures the division between the subject's linguistic representations, and their experience of the Real which cannot be signified; 'the subject...is equally divided in two, as it is barred' (Lacan 2007: 100; see also Epstein 2018: 823).

Lacan situates the speaking subject within a tripartite ontological order, which consists of the Real (capitalised to differentiate from real as descriptor), the symbolic and the imaginary

(Lacan 1975, 2006: 197-268; see also Solomon 2015: 30-4; MacCannell 2016; Thurston 2017). The symbolic is the domain of the signifier, and hence is structured by the laws of language and the relations between signifiers. As Johnston (2018) notes, the symbolic ‘refers to the customs, institutions, laws, mores, norms, practices, rituals, rules, traditions, and so on of cultures and societies...with these things being entwined in various ways with language.’ Conversely, the imaginary consists of the images produced by the play of the signifiers, or put otherwise, is the domain of the signified (Evans 1996: 84). ‘Signified’ here should be taken not to refer to the Kantian ‘thing-in-itself’ or the ‘real’ object, but rather to the psychologically imagined entity evoked by a particular signifier (Evans 1996: 84). For instance, on encountering the ‘free market’ signifier, one might unconsciously imagine a trading floor crowded with Wall Street brokers, or the haggling of a busy marketplace – this image constructed by the subject is in the domain of the imaginary. Lacan also distinguishes a pre- and post-symbolic dimension of the imaginary (Miller 2009: 39; see also Žižek 2013: 691-5). The pre-symbolic imaginary is described in Lacan’s famous account of the mirror phase, in which the infant first (mis)recognises themselves in the mirror, and begins to identify with the apparently whole image refracted through the gaze of the other (Lacan 2006: 75-81; see also Ruti 2008: 493; Solomon 2015: 30; MacCannell 2016: 72-3). However, after the subject enters into the world of language, the imaginary also comes to be structured by the symbolic, meaning that ‘sensory-perceptual phenomena (images and experiences of one’s body, affects as consciously lived emotions, envisionings of the thoughts and feelings of others, etc.) are shaped, steered, and (over)determined by socio-linguistic structures and dynamics’ (Johnston 2018; see also Solomon 2015: 32-3; Thurston 2017: 149-50).

Taken together, the imaginary and the symbolic constitute ‘reality’, which can be contrasted to the third dimension of subjectivity, the Real (Evans 1996: 163-4; Johnston 2018). The concept of the Real occupies an ambiguous but central position in Lacan’s topography of the subject.

In one sense, the Real can be understood as the domain beyond language, or that which ‘resists symbolization absolutely’ (Lacan 1991: 66). However, a precise definition along the lines of ‘the Real is x, y or z’ is impossible by the very rules of the language game Lacan is playing. In trying to define the Real – to bring it into the domain of the symbolic or the imaginary – we are in a technical sense doomed to fail. As Lacan (1975: 7) puts it elsewhere, ‘the Real is what is strictly unthinkable’. At best then, we might *imagine* the Real as ‘the rock upon which every formalization stumbles. But it is precisely through this failure that we can in a way encircle, locate the empty place of the Real’ (Žižek 2008: 195; for a more in-depth discussion of the impossibility of the Real, see Žižek 2008: 190-6; see also Arfi 2012). Because the Real inevitably frustrates our attempts to bring it into the symbolic or the imaginary, Lacan suggests that the subject’s fleeing encounters with the Real are deeply traumatic (Evans 1996: 162-3). Hence, as Žižek (2008: 45) notes, a dominant discourse or ideology develops ‘not to offer us a point of escape from our reality but to offer us the social reality itself as an escape from some traumatic, real kernel’.

Desire, jouissance and the impossible objet petit a

Desire is another important component of the Lacanian framework, and is key to my broader purpose of accounting for why one particular discursive construction of the Global Financial Crisis became hegemonic. For Lacan, desire is generated by the subject’s constitutive lack discussed in the previous section, which initiates the subject’s pursuit of enjoyment or *jouissance*, driven by the imaginary but ultimately futile hope of achieving the fulfilment and completeness the subject has been denied on entry into the symbolic (Evans 1996: 37-8). In contrast to biological conceptions of desire, Lacan’s concept of desire is thoroughly intersubjective, produced and given shape by language (Epstein 2011: 335). Solomon (2015: 32) summarises:

Desire thus moves from object to object, searching for that which would seem to make the subject whole, yet the slipperiness of language (in a sense, the instability of the Other) will always frustrate desire. This impossibility of fulfilling desire would seem to be the obstacle barring the subject from attaining a sense of fullness, yet the true obstacle is both the condition of possibility and impossibility of being a subject. This is the self-contradictory aspect of desire.

Precisely because the object of desire can only be expressed and constructed linguistically, the subject's pursuit of the object of their desire is always frustrated by the unbridgeable gap between the signifier and the signified, and the resulting 'incessant sliding of the signified under the signifiers' (Lacan 2006: 419; see also Stavrakakis 2000: 45). As Žižek (2001: 90) puts it, 'desire is always caught in the logic of "this is not that", it thrives in the gap that forever separates the obtained satisfaction from the sought-for satisfaction' (see also MacCannell 2016: 73-4). Illustrating the dialectic of the pursuit of desire and subsequent frustration, Lacan (1977: 319) concludes that '*jouissance* is forbidden to him who speaks as such'.

Lacan captures the inability of the subject to ever fully realise the object of their desire in his famous concept of the *objet petit a*. *Objet petit a* can be understood as both the unattainable object of desire, expressing the inability of the subject to ever achieve fulfilment, but also as the object that causes desire in the first place (Solomon 2015: 37-40; Epstein 2018: 824-6; Eberle 2019a: 27). As Haley (2014: 202) highlights, 'the object as the cause of desire reverses the 'common sense' logic of desire and object, in which desires are logically prior to the 'objects' we pursue'. Hence, Lacan foregrounds the intersubjective and linguistic process by which desire is constructed, in direct contrast to more mainstream understandings of desire as emerging internally, from the will or cognition of an already constituted individual (Solomon 2015: 31). Understanding the object of desire as the originary cause of desire also highlights the double misrecognition that occurs in the process of desire. Firstly, the subject believes that

the origins of their desire are internal, misrecognising the social construction of their object of desire. Secondly, the subject believes that their desire is aimed at a particular object, misrecognising that desire is created by the structural position of constitutive lack in which the subject finds themselves, and for which each individual object of desire is only a substitute (Solomon 2014; Epstein 2018: 26). As Fink (1995: 90) concludes, ‘desire is a constant search for something else, and there is no specifiable object that is capable of satisfying it, in other words, extinguishing it’ (see also Žižek 2008: 100-101).

The Master Signifier

Earlier I noted that for Lacan each signifier can only point to another signifier, and hence, ‘both metaphoric substitution and metonymic combination (of signifiers) can, in principle, be described as infinite’ (Stavrakakis 1999: 59). Yet as Laclau and Mouffe (2001: 112) note, this:

impossibility of an ultimate fixity of meaning implies that there have to be partial fixations — otherwise, the very flow of differences would be impossible. Even in order to differ, to subvert meaning, there has to be a meaning...Any discourse is constituted as an attempt to dominate the field of discursivity, to arrest the flow of differences, to construct a centre.

It is in the attempt of the subject to construct a solid centre of identification and arrest the flow of difference that the master signifier comes into the picture. According to Lacan (2007: 188-90), what is required to halt the infinite regress of meaning is a signifier emptied of all meaning, which comes to signify the possibility of signification as such (see also Laclau 1996: 37). Lacan calls this signifier the *point de capiton* or master signifier, claiming that ‘everything radiates out from and is organized around this signifier...It’s the point of convergence that enables everything that happens in this discourse to be situated retroactively and prospectively’ (Lacan

1993: 268). The master signifier ‘stops the otherwise indefinite sliding of signification’ (Lacan 2006: 681) through the simple act of pointing only to itself, providing a temporary Archimedean point around which a discourse can be structured. As Gunkel (2014: 191) notes, the master signifier provides ‘a final guarantee of meaning...because it is able to halt the process of referral by the empty gesture of referring only to itself’. Lacan (2007: 89) is clear that the selection of the master signifier is arbitrary – ‘each is able to come to the position of master signifier...to represent the subject for another signifier’ – but once situated, the master signifier ‘unifies a given field, constitutes its identity: it is, so to speak, the word to which ‘things’ themselves refer to recognise themselves in their unity’ (Žižek 2008: 105).

Although Lacan enunciated the concept of the master signifier in a clinical context, its application to the field of the political has been fruitfully demonstrated in a later body of scholarship, most notably by Laclau and Mouffe (2001), Laclau (1996: 36-46, 2005), Žižek (2008), Stavrakakis (1999, 2000), Epstein (2013), Solomon (2014, 2015), and Tomšič and Zevnik (2016). In the political context, a master signifier anchors a dominant discourse by smoothing over the tensions between otherwise incompatible social elements, allowing diverse interest groups and ideologies to identify with the same particular master signifier. The master signifier thus ‘promises a harmonious resolution of social antagonisms’ (Stavrakakis 2005: 73), in which a particular unifying signifier – such as God, the King or democracy – claims to offer the resources to bring ‘the people’ together in a cathartic and fulfilling unity. When different social groups accept the promises of the master signifier, and take it as their fixed central reference point, that particular discourse has become hegemonic, allowing the master signifier to structure the various signifying chains of meaning that make up the social (Laclau and Mouffe 2001: xi-xii). For example, Žižek (2008: 96) has highlighted how the master signifier ‘communism’ fixes a particular meaning onto other signifiers such as freedom, the state and justice (i.e. freedom from capitalist exploitation, the state as a ruling class vehicle to repress

the working class, justice as overcoming the inequalities of capitalism), in contrast to the meanings fixed under a different master signifier such as liberalism (under which freedom comes to mean freedom from government interference, the state is the enemy of free enterprise, and justice is administered by the liberal rule of law). As Žižek (2002: 58) notes:

Suffice it to recall how a community functions: the master signifier that guarantees the community's consistency is a signifier whose signified is an enigma for the members themselves – nobody really knows what it means, but each of them somehow presupposes that others know it, that is has to mean 'the real thing,' so they use it all the time.

Returning to the level of the speaking subject, the subject's process of identification also operates through its relationship to a particular master signifier (Epstein 2011, 2013), as in the struggle to posit a stable and fixed identity, the subject attempts to identify itself with a master signifier (Solomon 2015: 27-8). As Bracher (1994: 24-25) notes, 'master signifiers are able to exert such force in messages because of the role they play in structuring the subject—specifically in giving the subject a sense of identity and direction'. A subject's attachment to a master signifier is therefore a deep affective bond, with the master signifier appearing to offer a stable and fixed identity, and the means by which to understand the complex array of signifiers with which the subject is confronted (Stavrakakis 2000: 21; Hook & Vanheule 2016).

The master signifier is:

the point through which the subject is 'sewn' to the signifier, and at the same time the point which interpellates individual into subject by addressing it with the call of a certain master-signifier ('Communism', 'God', 'Freedom', 'America') – in a word, it is the point of the subjectivation of the signifier's chain. (Žižek 2008: 112)

The Framework of Fantasy

The final Lacanian concept I utilise in theorising neoliberal discursive dominance is fantasy. Neoliberalism, and indeed capitalism more generally, have long been interpreted through the framework of fantasy. In *Das Capital*, Marx (1998: 417) wrote about ‘capitalistic fantasy’, claiming that the bourgeoisie had created an illusory and false account of capitalism, a ‘phantasmagoria’ which concealed the real injustices of capitalism. More recently, Noam Chomsky’s (1996) critique of neoliberal capitalism mirrored Marx’s use of fantasy, with Chomsky juxtaposing the ‘free market fantasies’ of rolling back the state with the reality of widespread state subsidisation of corporations, which Chomsky described as ‘capitalism in the real world’. Bernard Harcourt (2012: 2422) presents a similar account of the free market as fantasy, claiming that because all markets require at least some form of state regulation, ‘the free market does not exist’. There is also a significant political economy literature comparing neoliberal ‘fantasies of absolute free market liberation’ (Peck *et al.* 2012: 274) with the reality of ‘actually existing neoliberalism’ (Peck *et al.* 2018). Finally, the construction of the free market as a fantasy concealing the Real of the capitalist economy is also widely used in the media, evident in publications as diverse as Jacobin, The New York Times and the Financial Times (see Aschoff 2015; Krugman 2016; Foroohar 2020).

The authors noted in the previous paragraph all rely on a colloquial understanding of fantasy as the opposite of reality, and seek to reveal the ‘truth’ of the Real that is hidden behind the deceptive lies of the fantasy. In contrast, the Lacanian approach understands fantasy not as a departure from reality, nor as a deceptive ideology concealing the Real, but rather as a series of intersubjective narratives. Adopting an epistemological position that is constructivist ‘all the way down’ (Epstein 2013: 287), the Lacanian approach to fantasy does not seek to reveal ‘things as they really are’ behind the discursive facade, but instead highlights the role of fantasy narratives in constructing and maintaining social reality (Žižek 2008: 44-50; Eberle 2019a:

105-108, 2019b). While Harcourt and others may be correct to conclude that the free market does not exist as object in the world, the free market clearly exists as the dominant framework used to understand the economic, evident in the discourse of both supporters and opponents of neoliberalism. The free market is not therefore an empty ideological lie concealing the Real of capitalist exploitation. Rather, the free market fantasy makes possible the functioning of the capitalist order by constructing our shared economic reality; as Žižek puts it, fantasy ‘is the support that gives consistency to what we call “reality”’ (Žižek 2008: 44; see also Žižek 2017; Epstein 2018).

In *Écrits*, Lacan (2006: 653) defined the structure of fantasy by the following formula:

$$\$ \langle \rangle a$$

The \$ symbol represents the split subject, divided for the reasons discussed in the previous sections. The second component of the formula is the lozenge symbol ($\langle \rangle$), which Lacan defines as meaning ‘desire for’. The lozenge is formed by combining the lesser than (\langle) and greater than (\rangle) symbols, and hence indicates ‘an identity that is based on an absolute non-reciprocity’ (Lacan 2007: 653), in which the first term is simultaneously greater than and lesser than the second term. Lacan also emphasises that the lozenge indicates that the formula can be read both left-to-right and right-to-left (Lacan 2007: 653). Finally, the third symbol (a) represents *objet petit a*.

Taken together, Lacan’s formula for fantasy ($\$ \langle \rangle a$) can therefore be rendered as ‘a divided subject desires for an impossible object’, or alternatively, read right-to-left, as ‘an impossible object creates desire for a divided subject’. The formula demonstrates that for Lacan, fantasy emerges from the relation of absolute disproportion between the underlying structural causes of the subject’s desire, and the particular object their desire has fixed upon (Arfi 2010: 438; Epstein 2018: 823-5). Fantasy is therefore both the subject’s doomed attempt to fill the

structural void generated by entry into the symbolic, but also the narrative constructed by the subject to account for the frustration of their desire (Solomon 2015: 37-50). Because ‘the symbolic order always falls short of totally capturing lived experience, inevitably excluding a part of the real in which we are rooted’ (Kirshner 2005: 86), a narrative is required to account for the subject’s inevitable failure to capture their object of desire. A fantasy therefore renders coherent the disorienting experience of lack (Ruti 2008), explaining why the subject needs a particular object to remedy their inherent lack, why that particular object remains temporarily out of reach, and what the subject must do to finally obtain their lost object (Glynos and Stavrakakis 2008: 261-3; Epstein 2018: 825). Typically, a fantasy points to some foreign object or force that is preventing the subject from capturing their fantasmatic *jouissance*, suggesting that if only the external problem could be removed, the object of desire can finally be achieved (Solomon 2015: 39-40; MacCannell 2016: 74; Eberle 2019b). By telling the subject why the object of desire remains out of reach, and what it must do to obtain the object, fantasy narratives rationalise the subject’s ultimately futile pursuit of *objet petit a*, and allow the subject to go on desiring (Mandelbaum 2020: 457). Thus, as Žižek (2008: 142) puts it, ‘fantasy is a means for an ideology to take its own failure into account in advance.’

2.2 Lacan’s Four Discourses: The Master, the University, the Hysteric and the Analyst

Having offered a general outline of the Lacanian approach to discourse analysis, I now turn to a useful heuristic developed by Lacan in his *Seminar on the Other Side of Psychoanalysis*, namely, the four discourses. Observing the aftermath of the failed uprising of 1968 in Paris, where the student’s discourse of revolution ultimately failed to displace President Charles de Gaulle’s nationalist discourse, Lacan developed the conceptual apparatus of the four discourses to help account for why a particular discourse remains dominant over a group of subjects. To

be clear, the four discourses is not a structure for all discourses in all times and all places. Lacan (2007: 188) qualified that his schemata is not the ‘Ouija boards of history, (and it is) not necessarily the case that it always happens this way’. Nevertheless, in its account of how a discourse can maintain its dominance in light of a sustained challenge, I argue that the four discourses model provides the most useful tool in understanding the discursive dominance of neoliberalism during the Global Financial Crisis. The four discourses describe four different forms of subjectivity – that of the master, the university, the hysteric and the analyst – and understanding the dynamics, attraction and failings of these different forms of subjectivity can help account for how a particular discourse becomes dominant. As Lacan (2007: 207) claimed, ‘what I am trying to spell out, because psychoanalysis gives me the evidence for it, is what dominates (society), namely, the practice of language’.

The Structure of the Four Discourses

The structures of the four discourses are all constituted by the same four components, which Lacan expresses in a quasi-algebraic form:

S_1 = Master Signifier, which orders a particular discourse by providing the final and definitive point of reference for all the other signifiers in the discourse.

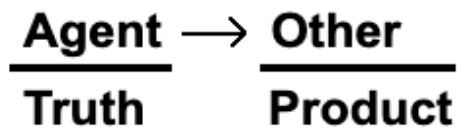
S_2 = The whole body of signifiers, which together constitute the totality of knowledge

$\$$ = the divided subject, barred upon entry into the symbolic

a = *objet petit a*, the unattainable object cause of desire

The four discourses are configured by placing the four symbols into different positions according to the following structure:

Figure 2.1 Structure of the Four Discourses



The starting point of any discourse is the Agent, who hails the Other through the act of speech, calling on the Other to respond to the discourse and take up its particular form of subjectivity. The response of the Other to the hailing creates the Product of the discourse. As Žižek (1998: 78) highlights, the Product is not simply the effect of the discourse, but is rather the ‘indivisible remainder’ of the subject, that part of the subject which resists assimilation into the discursive network of the Agent, and is therefore located below the dividing line. Finally, below or underpinning the Agent is the position of Truth. As Solomon (2015: 52) emphasises, ‘the position of Truth provides the “ground” or support for the possibility of Agency, yet this Truth is ignored or repressed by the Agent (as represented by the bar —)’. The elements of the discourse above the bar, in the position of Agent and Other, therefore represent the overt components of the discourse, while the elements below the bar are the repressed or latent content of the discourse (Klepec 2016: 121).

The location of the four components of the discourse in relation to the structure determines the form that the discourse takes. The four different configurations, and the four resulting discourses, are contained in figure 2.2:

Figure 2.2 The Four Discourses

Master's Discourse

$$\frac{S_1}{\$} \rightarrow \frac{S_2}{a}$$

Hysteric's Discourse

$$\frac{\$}{a} \rightarrow \frac{S_1}{S_2}$$

University Discourse

$$\frac{S_2}{S_1} \rightarrow \frac{a}{\$}$$

Analyst's Discourse

$$\frac{a}{S_2} \rightarrow \frac{\$}{S_1}$$

The Discourse of the Master

Master's Discourse

$$\frac{S_1}{\$} \rightarrow \frac{S_2}{a}$$

The most intuitive configuration of components is contained in the discourse of the master, in which the Master Signifier S_1 is placed in the position of Agent. From the position of Agent, the master signifier hails the body of signifiers, calling on them to respond to the demands of the master. In the master discourse, the body of signifiers are explicitly structured around the master signifier, with the master signifier calling on the Other to identify with and assimilate into the master's discourse. In exchange for the Other's obedience to the call of the master, the master signifier promises a fixed and coherent identity for the Other. As Newman (2004: 304)

notes, ‘the discourse of the master is the discourse that embodies self-mastery – the attempt to constitute an autonomous ego, one whose identity is secure in a complete self-knowledge.’

The Product of the Other’s attempt to respond to the Agent’s call is *objet petit a*, the unattainable object of desire. In responding to the master’s call, the system of signifiers constitutes the object of desire. However, as noted above, the object of desire inevitably remains out of reach of the speaking subject, and is represented as repressed, located below the bar. Finally, also repressed by the master, and in the position of Truth, is the divided subject. Like all forms of subjectivity, that offered by the master is ultimately lacking and divided, but in presenting its discourse, the master attempts to conceal its own shortcomings (Solomon 2015: 53). As Lacan (2007: 103) highlights, ‘acting the master is to think of oneself as univocal. And surely it is psychoanalysis that leads us to say the subject is not univocal...[The master discourse] by virtue of its very structure, masked the division of the subject’. When a master discourse has become hegemonic, the effect is that the subject fully identifies with the master signifier, believing that through their identification, they have posited a complete and fixed form of subjectivity. As Žižek (1998: 76) opinions, ‘what characterizes the Master is a speech-act that wholly absorbs me, in which ‘I am what I say’, in short, a fully realized, self-contained performative’.

An instructive example of a master discourse frequently noted is that of the monarch. In accepting ‘the King’ as master signifier, the Other recognises the King as a complete subject, worthy of obedience and loyalty by the King’s very nature. By accepting a position of subservience to the King, the speaking subject can posit their identity as part of a fixed and meaningful whole, defined by their relation to the apex of the discursive structure, the King. Although it has been suggested that the master discourse is less prominent in modern contexts (Solomon 2015: 54), the discourse of the master can still be found whenever a speaking subject posits a signifier as the complete and unified whole. For example, religious discourses take the

form of the master discourse, in which the authority of God, the master signifier, is posited as the final word on all matters, beyond question or reproach. Similarly, recently resurgent populist-nationalist discourses also often take the form of the master discourse.

In the context of economic discourse, more libertarian accounts of the free market frequently elevate the free market signifier to the position of untouchable and unquestionable master, around which a particular form of economic subjectivity is subsequently structured. For instance, when Murray Rothbard (2006a: 242) claims ‘the essence and the glory of the free market is that individual firms and businesses, competing on the market, provide an ever-changing orchestration of efficient and progressive goods and services’, the free market is being constructed as the master beyond all reproach, which by its very nature is worthy of obedience and adoration. During the Global Financial Crisis, libertarian accounts of the crisis continued to construct the free market as the master signifier of the economic, claiming that by its very nature the free market was beyond reproach, and that therefore the cause of the crisis must be some other entity defined in opposition to the free market, typically the state. For instance, researchers from the libertarian CATO Institute claimed that the crisis was caused by excessive government intervention, particularly in the financial industry, which had allowed unprofitable companies to continue to exist, and to accrue extensive liabilities secure in the knowledge that governments would bail them out in the event of a collapse (see for example Crane 2008; Henderson 2008). From this perspective, the solution was to return to the free market by withdrawing all government intervention, which would allow bankrupt corporations to collapse and the market to re-establish equilibrium.

I will argue that the libertarian discourse failed in its initial attempt to shape discursive understandings of the crisis, largely because the free market signifier had previously been linked so strongly to financial markets that most observers initially instinctively rejected claims that government intervention was responsible for the onset of the crisis. However, despite

failing in its initial attempts to explain the crisis, the libertarian discourse became more prominent in the aftermath of the crisis, particularly with the rise of the Tea Party Movement in the US, and the election of the Conservative Party to government in the UK, occurring in 2009 and 2010 respectively. Both movements challenged fiscal expenditure and debt related to the crisis, demanding that government spending be radically curtailed, and hence once more successfully posited the free market as the master signifier of the economic. In the long term then, the free market as master discourse survived, but crucial to its survival in the interregnum of the crisis was another discursive form that neoliberals adopted both before and during the crisis, namely, the discourse of the university.

The Discourse of the University

University Discourse

$$\frac{S_2}{S_1} \rightarrow \frac{a}{\$}$$

The second discursive structure within Lacan’s framework is the discourse of the university, a subject position closely related to the master discourse, which the university discourse implicitly supports and defends. Lacan (2007: 148) suggests that the university’s function is the elucidation of the master discourse, which the university discourse achieves by presenting the assertions of the master discourse in the form of supposedly objective, neutral knowledge (Boucher 2006: 276-7; Žižek 2006). While the master discourse is explicitly partisan, claiming that a particular master signifier offers the best resource for structuring signification, the university discourse instead presents its claims as a form of shared common sense, thereby functioning ‘as an avatar of the master discourse, promulgating master signifiers hidden beneath systematic knowledge’ (Bracher 1994: 117).

In structural terms, the University Discourse places the system of signification in the position of agency, instituting what Lacan (2007: 32) calls the ‘tyranny of knowledge’. The system of knowledge or signification hails *objet petit a*, the lack in the Other, suggesting that by identifying with the objective body of knowledge, the Other can overcome their constitutive lack. The result of the hailing is the divided subject, which inevitably emerges from chasm between signification and the experience of the Real. However, the divided subject remains under the bar, repressed by the discourse’s promise of a satisfying and totalising objective knowledge. Underpinning the system of signification, in the repressed position of Truth, is the master signifier. The location of the master signifier is intended to convey that although the explicit content of the master signifier is repressed within the discourse, it still retains an implicit ordering function which grounds the system of signification. As Lacan (2007: 104) notes, ‘S₂ (knowledge) occupies the dominant place in that it is this place of the order, the command, the commandment, this place initially held by the master...(but) one finds nothing else at the level of its truth than the master signifier’. Although the discourse of the university is present in the institution of the university, its form also clearly exists outside the boundaries of the formal university (Žižek 2006). The discourse of the university is present whenever the speaker seeks to convey their claims as value-neutral common sense, justified by supposedly universal scientific principles. For example, Lacan (2007: 206) suggested that in its official doctrine of scientific socialism, the Soviet Union presented a perfect model of the university discourse, in which communism was justified not by recourse to normative argumentation, but rather on the basis of supposedly objective science.

In most contemporary neoclassical economic research, the free market signifier, and indeed related signifiers such as the rational individual, remain entirely absent. Rather, the research claims to convey objective, non-partisan and empirically grounded mathematical knowledge. However, underpinning the research is a number of presumptions, such as pareto efficiency

and rational models of individuality, which in turn are reliant on the free market master signifier for their implicit presumptions and normative grounding. Accordingly, the University Discourse seeks to present its advocacy for the free market as neutral and scientific, concealing the normative reliance on the free market signifier and its related signifiers within the discourse. With the onset of the Global Financial Crisis, proponents of the University Discourse positioned themselves as objective and non-partisan guardians of technical economic knowledge. In the name of pragmatic common sense, they could concede some limited failings of free market principles, and even support temporary measures that appeared to contradict the free market. Subsequently, from their position of supposed post-ideological objectivity, proponents of the university discourse argued for a return to a free market political economy, claiming that they had taken into account the effects of the crisis, and that the overall body of knowledge still supported free market orientated policies. Chicago economist and Nobel laureate Gary Becker (comments in Cassidy 2010) exemplified the key moves of this discourse when he claimed:

I think the last twelve months have shown that free markets sometimes don't do a very good job. There's no question, financial markets in the United States and elsewhere didn't do a good job over this period of time, but if I take the first proposition of Chicago economics—that free markets generally do a good job—I think that still holds. What I have always learned to be the Chicago view, and taught to be the Chicago view, is that free markets do a good job. They are not perfect, but governments do a worse job. Again, in some cases we need government. It is not an anarchistic position. But in general governments do a worse job. I haven't seen any reason to change that other than, yes, we've seen another example where free markets didn't do a good job: they did a bad job. But to me there is no evidence the government did a good job either, leading up to or during the process.

From an apparent position of considered empiricism, Becker notes that free markets failed during the crisis, a concession that cannot be made from within the confines of the master discourse. However, he subsequently suggests that even when taking into account the failings of the free market, the events of the crisis still affirm the ‘first principle’ of Chicago economics, namely, that free markets generally do a good job. Absent from Becker’s discourse is any notion of engaged subjectivity, reflecting the repressed nature of the divided subject in the university discourse. As Žižek (1998: 78) puts it, ‘the constitutive lie of the university discourse is that it disavows its performative dimension, presenting what effectively amounts to a political decision based on power as a simple insight into the factual state of things’. As will become clear, in concealing the operation of power in the restoration of the free market discourse, and instead presenting the outcome as an impartial scientific process, the structure of the university discourse is crucial to understanding the survival of the free market signifier in the crisis.

The Discourse of the Hysteric

Hysteric’s Discourse

$$\frac{\$}{a} \rightarrow \frac{S_1}{S_2}$$

The third discourse within Lacan’s model, which is important to my prognosis of the failure of critical discourses in the GFC, is the discourse of the hysteric. In the discourses of the master and university, the divided nature of the subject is concealed, placed below the bar. The hysteric discourse is constituted when the speaking subject begins to question that repression, and reveal the inability of the master or university discourse to provide an answer to the subject’s incompleteness (Newman 2004; Solomon 2015: 55-6; Klepec 2016: 126-7). In the discourse

of the hysteric, the divided subject is in the position of Agency, directly hailing and challenging the master signifier, which is in the position of the Other. Hence, the hysteric's discourse is constituted by the 'failure of the subject, \$, to coincide with or be satisfied by the master signifiers offered by society' (Bracher 1994: 122). Having recognised its constitutive lack, the divided subject interrogates the master, demanding to know what the subject needs to complete their identity. The Product of this interrogation is the system of knowledge, which the master signifier attempts to use to satisfy the hysteric's questioning. For example, consider the wavering theist, who asks of their priest 'how do I know that God is real?' In response to the direct questioning of the master signifier, which the devout accept as an *a priori* authority, the priest instead tries to support the master signifier by recourse to a whole body of signifying apologia, drawing on various different arguments and chains of signifiers in an attempt to satisfy the hysteric's questioning.

Crucially though, underpinning the divided subject in the position of repressed Truth remains *objet petit a*. What the hysteric represses, and is therefore unable to confront, is the unattainability of the satisfaction which the hysteric is demanding from the master. As Solomon (2015: 55) puts it, 'the object a is the latent truth behind the subject's \$ questioning, yet it has no direct access to its 'missing' part'. Lacan suggests that because the hysteric discourse represses its inability to realise its object of desire, all that the hysteric can achieve is either an affirmation of the master's response, leading to a re-integration back into the master's symbolic order, or else the affirmation of a new master signifier, to which the divided subject will presently become subservient. In short, 'what the hysteric wants is a master' (Lacan 2007: 129).

Lacan articulated the logic of the hysteric's discourse in response to the radical student protests that occurred in Paris in 1968. Replying to the popular student call for revolution, Lacan (2007: 207) famously claimed that 'the revolutionary aspiration has only a single possible outcome – of ending up as the master's discourse. This is what experience has proved. What you aspire to

as revolutionaries is a master. You will get one'. Lacan is suggesting that the student's discourse of revolution has failed to escape the form of the hysteric's discourse, and in its hysterical questioning of the failures of the existing order, can only succeed in constituting a new master signifier in the position of dominance. Saul Newman's explorations in post-anarchist theory have demonstrated the manner in which the discourse of the hysteric constitutes a form of subjectivity which cannot escape the dominance of the master. As Newman (2004: 305) highlights, even when a hysteric's discourse succeeds in overthrowing a dominant master discourse, all that the 'revolution succeeds in doing is merely to re-instantiate itself within the structure of the master's discourse. It merely completes the circle, once again ending up in the master's discourse – the very position of authority that it tried to negate'. For Lacan, the only possible way to move beyond the dominance of the master is through the development of an entirely new discourse, which he calls the discourse of the analyst.

In the immediate aftermath of the Global Financial Crisis, the discourse of the hysteric was evident in widespread declarations of the failure of the free market, and the demand for a new economic system which would replace the free market and instigate the return of the state. For example, prominent German sociologist Ulrich Beck (2008) epitomised the structure of the hysteric's discourse, warning that 'this free market farce shows how badly we need the state...It's clear that things can't go on without the state's guiding hand.' In light of the catastrophic economic failure, Beck accuses the free market signifier of having failed to deliver its promised *jouissance* of stability and prosperity. However, illustrating Lacan's maxim that a hysteric is always in search of a master, Beck consequently demands the return of the state. Accordingly, Beck's account of the crisis remains within the confines of a neoliberal ontology, trapped in the false dichotomy between free market and state. I will demonstrate that the implicit adoption of a neoliberal social ontology led many critics of neoliberalism such as Beck to celebrate corporate bailouts and minor regulatory reform as 'the return of the state', when in

reality most of these measures only strengthened pre-existing market structures, reaffirming the position of the market as the dominant structure in economic relations. In their attempts to hold the free market responsible for the crisis, critics reproduced the neoliberal belief that the global economy was dominated by something called the ‘free market’, which existed in binary opposition to the state, and thereby inadvertently shared in the work of transcribing these neoliberal constructs into our social reality.

The Discourse of the Analyst

Analyst’s Discourse

$$\frac{a}{S_2} \rightarrow \frac{\$}{S_1}$$

Although the discourse of the analyst offers a means to move beyond the dominance of the master, the analyst’s discourse does not offer a conclusive solution to the constitutive lack inherent to the speaking subject. Lacan states that ‘the analytic discourse completes the three others...(but that) does not mean that it resolves them and enables one to pass to the other side. It doesn’t resolve anything’ (2007: 61), and further, ‘don’t expect anything more subversive in my discourse than that I do not claim to have a solution’ (2007: 70). While the analyst’s discourse does not offer ‘a radical break with tyranny and an ascension to freedom’ (Bracher 1994: 123), what it does offer is a means by which the speaking subject can directly confront their constitutive lack. In the analyst’s discourse, the speaking subject is encouraged to approach ‘the hole from which the master signifier arises’ (Lacan 2007: 189), and rather than attempting to cover up their lack through identification with various master signifiers, to instead develop their own master signifier (Mathews 2020: 119). Accordingly, the analyst’s discourse puts the unattainable *objet petit a* in the position of agency, directly hailing the split

subject, and thereby confronting the subject with their constitutive lack and inability to realise their object of desire. If the analyst's discourse is successful, the result, in the position of Product, is a new master signifier which the subject devises for themselves.

In the clinical context, the analyst's discourse is preceded by a discourse of the hysteric, as before devising a new set of signifiers, the analysand must first come to question the terms of the master (Bracher 1994: 124-6). In attempting to make the space for an analyst's discourse of the Global Financial Crisis, I first document the discourse of the hysteric, which directly challenged the dominance of the free market master during the onset of the crisis. However, I suggest that critical accounts in the crisis were unable to move beyond the hysteric's discourse, and instead of devising a new set of terms, remained squarely within the neoliberal framework of antagonistic opposition between free market and state. Accordingly, my conclusion directly addresses the possibility of an analyst's discourse of the crisis, sketching the outline of an account that can escape the confines of the neoliberal master discourse.

Part I – Inventing the Free Market

Chapter 3 The Birth of the Free Market

In this chapter, I examine the origins of the free market signifier, tracing the historical development of the neoliberal discourse to provide the context for its apparent breakdown in the Global Financial Crisis. As I noted in my literature review, the history of neoliberal thought has been the subject of increased scholarly attention in the aftermath of the Global Financial Crisis (Cahill 2015: 201). The existing literature offers extensive archival research which has helped to document the institutional contexts within which the discourse of neoliberalism was originally articulated, and subsequently spread around the world. Existing accounts have tended to foreground material factors, such as trans-national networks of scholars, donor support and political strategy to explain the spread of neoliberal ideas (see for instance the contributions in Mirowski and Plehwe 2009, and Mirowski 2013). Less prevalent in the existing literature is an engagement with the question of what in particular about the neoliberal discourse made it so compelling and attractive, to scholars, donors, politicians and indeed the general population. Accordingly, in my genealogy of neoliberal thought I go beyond merely tracing the spread of ideas through different institutions over time, and instead examine the structure of the neoliberal discourse, attempting to understand why this configuration of signifiers became hegemonic, and how it ‘hooks on’ to its subjects.

I argue that the most underappreciated structural feature of the neoliberal discourse is the crucial role played by the ‘free market’ master signifier in its construction of the economic. It is often taken for granted in both sympathetic and critical accounts that the concept of the free market has a long historical pedigree, reaching at least as far back as Adam Smith. For example, Angus Burgin’s *The Great Persuasion: Reinventing Free Markets since the Depression* is representative of the broader trend in the literature to treat the ‘free market’ as a concept with a long historical lineage that was merely repurposed by early neoliberal thinkers in the 1930s. Contrary to the established wisdom, I denaturalise the supposed historical pedigree of the free

market by demonstrating that the term only entered into common usage in the 1930s, in response to a particular crisis in the discourse of economic liberalism. Following the onset of the Great Depression, the classical liberal economic discourse and its foundational principle of *laissez-faire* was widely discredited. Accordingly, classical liberal intellectuals sought to restate the case for economic liberalism, and to develop a new discourse that would reconcile the historical antinomy between freedom and order that had long animated classical liberal thought. I argue that the free market signifier, in discursively combining the concept of freedom with that of a stable market order, was crucial to the restatement of classical liberal thought that became neoliberalism. In functioning as the master signifier of the neoliberal discourse, the free market signifier was able to unify the disparate strands of neoliberal thought into a cohesive discourse.

In the first section of this chapter, I examine the pre-history of the free market discourse, suggesting that the historical concept of *laissez-faire* is an important discursive precursor to the free market. The discourse of *laissez-faire* was most prominent in mid-nineteenth century Britain, and contains the first significant attempt to address the central antinomy of classical liberalism, namely, how to govern without coercing the subject (Foucault 2008: 51-76). I document how over the course of the nineteenth century the discourse of *laissez-faire* was gradually undermined by repeated concessions to state intervention, which in Lacanian terms I conceptualise as the inevitable failure of the Real to obey the strictures of the symbolic. In the early twentieth century, the discourse of *laissez-faire* and classical liberalism definitively fractured, as the fantasy of a *laissez-faire* polity was overwhelmed by global conflict, economic crises and political instability. Accordingly, by the mid-twentieth century, the discourse of *laissez-faire* had broken down, replaced by a discursive recognition of the need for state intervention in the economy which crystallised into the Keynesian consensus that became the hegemonic economic discourse in post-WWII Britain and the United States.

In the second section, I examine the emergence of the neoliberal discourse in the statist environment of the mid-twentieth century, focusing on the attempts to reformulate classical liberal thought in response to the crises of the early twentieth century. In contrast to previous teleological accounts which have emphasised the purposive nature of the construction of the neoliberal discourse (see particularly Mirowski and Plehwe 2009; Mirowski 2013), I suggest that early neoliberal thought was characterised by significant dissensus, particularly on the question of the correct balance between individual freedom and state intervention. The free market signifier became so central precisely because it offered a discursive means to reconcile the need for individual freedom with a state imposed economic order. I demonstrate that over time the free market became the crucial master signifier of the neoliberal discourse, drawing together potentially contradictory views into a coherent discourse about the economy.

3.1 Precursors to the Free Market Discourse

The first significant precursor to the free market in classical liberal discourse is the concept of *laissez-faire*. Although the principle of *laissez-faire* is in many ways distinct from that of the free market, both concepts attempt to address the same central antinomy in liberal thought regarding how to govern without coercing the individual. As Foucault notes in *The Birth of Biopolitics*, classical political theory struggled to reconcile the need for political order, best exemplified in the works of Thomas Hobbes, with the demand for individual liberty that is traditionally located in John Locke's *Two Treatises on Government*. Hence, I suggest that the concepts of order and liberty function as the generative dialectic of liberalism, with the attempt to create a polity that respected individual freedom while maintaining a functioning order the central problem in classical liberal thought. The principle of *laissez-faire* emerged as one of the first and most significant attempts to resolve this problem of governance.

According to popular legend, the origin of the phrase *laissez-faire* is attributed to French merchant M. Le Gendre in the 1680s (Keynes 1924). When asked by the Minister of Finance Jean-Baptiste Colbert what the French state could do to assist the development of industry, Le Gendre is reported to have simply replied ‘*laissez-nous faire*’, meaning ‘let us do it’ or ‘leave it to us’. At the most basic level, *laissez-faire* policies therefore dictate that the state should not intervene in the economy, instead leaving market forces of supply and demand to freely determine the levels of production and distribution. In the classical liberal worldview of the late eighteenth and nineteenth century, *laissez-faire* functioned as the master signifier of the economic, precisely because it appeared to offer the solution to the central problem of reconciling the need to create an efficient economic order with the preservation of individual freedom.

On the one hand, classical liberals claimed that *laissez-faire* policies maximised individual freedom, as the state’s non-intervention in the economic and social domain left each individual free to pursue their own conception of the good life (Spencer 1884: 3-4). On the other hand, advocates of *laissez-faire* also claimed that markets left to function freely would maximise economic output, by ensuring the most profitable deployment of the means of production (see for instance Cobden 1908 [1846]: 187; Mill 2004 [1848]: 46). Here, the *laissez-faire* discourse relied heavily on natural law principles, claiming that a divine creator had imbued human society with a natural harmony, which, if left alone by the state, would assert itself. For example, in *The Theory of Moral Sentiments*, Adam Smith (1790: 147) claimed that:

The happiness of mankind, as well as of all other rational creatures, seems to have been the original purpose intended by the Author of nature, when he brought them into existence...by acting according to the dictates of our moral faculties, we necessarily pursue the most effectual means for promoting the happiness of mankind, and may

therefore be said, in some sense, to co-operate with the Deity, and to advance as far as in our power the plan of Providence.

Although some later laissez-faire thinkers such as Jeremy Bentham would reject natural law, they retained an implicit conception of society as naturally tending towards harmony and progress. The laissez-faire discourse also claimed that the harmony engendered by the application of laissez-faire would extend to the international realm, with classical liberal thinkers such as Richard Cobden (1908 [1846]: 187) claiming that if governments refrained from interfering in domestic economies, free trade would ‘act on the moral world as the principle of gravitation in the universe,—drawing men together, thrusting aside the antagonism of race, and creed, and language, and uniting us in the bonds of eternal peace’ (see also Mises 1985b [1944]: 91). Thus, the discourse of laissez-faire offered its subject a two-fold *jouissance* of a secure economic order and individual freedom. As French economist Jacques Turgot (1844, cited in Hayashi 2014: 146) noted, the promise of laissez-faire ‘was enclosed in these two words: liberty and security’ (see also Wolin 2016: 314).

However, over the course of the nineteenth century the discursive fixation created by the laissez-faire master signifier would be gradually stretched and undermined by what in Lacanian terms can be conceptualised as the ‘incessant sliding of the signified under the signifiers’ (Lacan 2006: 419). Although at face value the discourse of laissez-faire would appear to reject all acts of government intervention, in practice advocates of laissez-faire were increasingly faced with evidence that their policies were not performing the social ordering functions as effectively as promised. Accordingly, the laissez-faire discourse began to recognise a growing number of cases where government intervention was necessary, but rather than reject the laissez-faire master signifier, its proponents articulated cases of government intervention as minor exceptions to the otherwise applicable rule of laissez-faire.

Even the first group of thinkers associated with laissez-faire, the French physiocrats, recognised a number of exceptions to the general principle of laissez-faire. Francois Quesnay, generally considered the leading figure among the physiocrats (Rothbard 2006b: 365), supported a broadly laissez-faire approach to political economy, claiming that he believed in ‘but one rule of commerce...to allow free passage and freedom of action to all buyers and sellers whoever they may be’ (Quesnay 2010 [1767]: 253). However, Quesnay also recognised a number of exceptions to his ‘one rule of commerce’, and tasked the absolute monarch with intervening to not only protect private property, but also to fix interest rates and to direct national resources towards agriculture (Hoselitz 1968: 644). Following Quesnay, the physiocrats argued that the state should impose a broad land-based tax on agriculture, which they believed was the original source of all national wealth (see for instance Quesnay 1958 [1766]: 959-60; Du Pont 1768; Turgot 1977 [1763]: 102-8).

In the English-speaking world, Adam Smith is usually cited as the key figure in the founding of the laissez-faire tradition. Although Smith did not use the phrase laissez-faire in his own work, he did articulate arguments against government intervention according to the logic of laissez-faire, in claims such as:

The statesman who should attempt to direct private people in what manner they ought to employ their capitals, would not only load himself with a most unnecessary attention, but assume an authority which could safely be trusted, not only to no single person, but to no council or senate whatever, and which would nowhere be so dangerous as in the hands of a man who had folly and presumption enough to fancy himself fit to exercise it. (Smith 2015 [1776]: 303)

However, Smith’s work also contains strongly pragmatic tendencies which lead him to reject the application of laissez-faire in many instances, and recognise a significant role for government. For example, in *The Wealth of Nations*, Smith suggests that the government has

a role in protecting property, enforcing contracts, administering justice, preventing fraud, funding and building basic infrastructure, and even providing public education (Smith 2015 [1776]: 465-547).

The classical political economists, who are generally believed to have followed Smith in accepting laissez-faire, also followed Smith in enumerating a growing number of exceptions to the principle of laissez-faire. For example, David Ricardo supported taxation of land to control rent prices (Ricardo 2005 [1819]: 101-2). Thomas Malthus (1815) supported taxation on grain imports, and more extreme social engineering measures to control population growth. Perhaps the most representative example of the structural development of the laissez-faire discourse is the utilitarian tradition of Jeremy Bentham and John Stuart Mill. In 1808, Bentham stated that he would ‘preserve in support of the principle of *Laissez nous faire*, so long as I have the stump of a pen left’ (Bentham 1843b [1808]: 441). However, Bentham’s *Constitutional Code* would seem to be in direct contravention of the laissez-faire principle, providing an extensive blueprint for a collectivist state, which included the public provision of both education and healthcare. The apparent contradiction is resolved in *A Manuel of Political Economy*, in which Bentham suggested that government should be bound by a general rule of non-intervention, but that a large field of governmental action was still ‘justified as exceptions to that rule’ (1843a: 35).

Similarly, in *Principles of Political Economy*, John Stuart Mill (2004 [1848]: 285) stated that ‘Laissez-faire, in short, should be the general practice: every departure from it, unless required by some great good, is a certain evil’. As with Bentham, Mill’s formula for laissez-faire allows each advocate of a laissez-faire political economy to offer a slightly different justification of precisely what limited interventions were permitted by the government. Further, this broader formulation of the laissez-faire doctrine allows a wide variety of potential governmental interventions to be reconciled with a laissez-faire political economy, if each particular

intervention can be justified by the greater good. As first-generation Chicago economist Frank Knight (1935: 205-6) noted in his analysis of the classical political economists, ‘none of them ever did advocate [laissez-faire] in any thoroughgoing way or without exceptions which, under changed conditions, might be used to justify outright socialism’. Rather than being torchbearers in an unbroken laissez-faire tradition stretching from Adam Smith to modern-day neoclassical economics, the classical political economists stretched the discourse of laissez-faire by recognising an increasing number of justified state interventions in the economy. In Lacanian terms, the master signifier of laissez-faire was being continually undermined by the sliding of the signifieds away from their affixed meanings, as the vagaries of the Real disrupted the temporary fixations of the discourse.

By the early twentieth century, the contradictions in the discourse of laissez-faire and its inability to deliver the promised double *jouissance* of ordered prosperity and freedom had become even more apparent, as arguments calling for more state intervention on both economic and moral grounds became increasingly apparent (Howe 2016). For example, influential orthodox economists such as Alfred Marshall (1907: 17-20) and Arthur Pigou (1920) highlighted general market failures which required state intervention such as market externalities and the need for the provision of public goods, while legislation such as the 1890 Sherman Act in the United States attempted to address the problems associated with monopolies. The deleterious social effect of laissez-faire policies was also increasingly criticised, by socialists such as Keir Hardie (1907: 3-4), but also by more conservative figures such as Winston Churchill (1906: 268-9), who warned his fellow conservatives that the poverty created by laissez-faire had strengthened the socialist cause. In 1907 Irving Fisher (1907: 18), the Vice President of the American Association for the Advancement of Science, noted the ‘remarkable change’ in economic opinion ‘from the extreme laissez-faire doctrines of classical economists to the modern doctrines of governmental regulation and social control.’ Thus, in

his famous 1924 lecture ‘The end of laissez-faire’, John Maynard Keynes could proclaim that ‘change is in the air’, and that the discourse of laissez-faire was ‘receding at last into the distance’.

3.2 The demise of laissez-faire and the birth of the free market

The principle of laissez-faire was clearly undermined over the course of the nineteenth century, but it was the events of the early twentieth century that would definitively fracture the discourse of classical liberalism, and lead to the rise of a new dominant discourse in constructions of the economic. Firstly, the outbreak of WWI destroyed the classical liberal internationalist dream of a perpetual peace achieved by laissez-faire. Shortly after, the Great Depression resulted in significant government intervention in domestic economies, often articulated explicitly in response to the apparent failings of laissez-faire (see for instance Lippmann 1930: 2; Commager 1933). Finally, concurrent with the Great Depression was the increasing prominence of fascist governments in Italy, Spain and Germany, along with the growth of the Soviet state under Stalin. Taken together, these events ruptured the discourse of classical liberalism, which could no longer make sense of the world, and could no longer provide signifying chains of meaning that would make coherent these undoubtedly traumatic events. According to the discourse of classical liberalism, the rules of laissez-faire should have sufficed to overcome economic crises and to ensure political stability, yet the inevitable refusal of the Real to permanently obey the strictures of the symbolic highlighted unavoidably the failure of the laissez-faire discourse. The crisis of the early twentieth century was thus a discursive crisis, internal to the discourse of classical liberalism, and allowing the rise of a new Keynesian and statist discourse that would remain hegemonic until the 1970s (Blyth 2002).

In this section, I trace the emergence of the neoliberal discourse, which responded to both the decline of classical liberalism and the rise of the statist Keynesian discourse. I identify three key themes within the early neoliberal discourse. The first was a forthright acknowledgment of the failures of laissez-faire and classical liberalism. Most classical liberals in this era openly recognised that the laissez-faire policies of the nineteenth century had been unsuccessful, and even those that continued to support the principle of laissez-faire generally admitted that the discourse of classical liberalism was hopelessly marginalised to the point of disrepute. The second central claim in early neoliberal discourse was that laissez-faire policies had created a statist backlash, and that the growth of the state was now an existential threat to individual freedom, economic prosperity and international peace. Finally, in response to the failure of laissez-faire and threat of the totalitarian state, early neoliberal thinkers aimed to find a new doctrine or set of ideas that would strike the correct balance between individual freedom and the necessary ordering functions of the state. Although there were many different attempts to restate the case for economic liberalism, I demonstrate that the free market signifier, which discursively unified the notions of individual freedom and a functioning market order, became the crucial master signifier of the new neoliberal discourse which began to solidify in the 1950s and 1960s.

In tracing the origins of neoliberal thought, there is inevitably some contention regarding who exactly should be considered neoliberal, given the overlap between the late classical liberal thinkers and the early neoliberals. Here, I locate a particular thinker within the boundaries of early neoliberalism according to two criteria. Firstly, following the conventions of the existing literature, I take association with the key neoliberal conferences and thinktanks – especially the Walter Lippmann Colloquium and Mont Pelerin Society – as a strong indicator a particular thinker should be considered as neoliberal (Mirowski and Plehwe 2009; Mirowski 2013). Secondly, I define early neoliberalism as largely structured around the three themes I noted in

the previous paragraph. Hence, finding these themes in the works of a particular theorist is another indicator they can properly be considered an early neoliberal.

The failure of laissez-faire

In the early decades of the twentieth century, most classical liberals openly admitted that the principle of laissez-faire had failed. In 1923, Chicago economist Frank Knight (1923: 587) noted ‘the contrast between the enticing plausibility of the case for the "obvious and simple system of natural liberty," and the notoriously disappointing character of the results which it has tended to bring about in practice’, adding that ‘no possible social order based upon a laissez-faire policy can justify the familiar ethical conclusions of apologetic economics’ (Knight 1923: 589). After the onset of the Great Depression, Knight was even clearer in his rejection of laissez-faire, writing in 1933 that ‘we cannot go back to laissez-faire economics even in this country’ (cited in Burgin 2012: 4). Similarly, Friedrich Hayek rejected the general application of laissez-faire, claiming that classical liberalism had entirely neglected the task of outlining the necessary positive actions required by the state to create a functioning market system (Hayek 1933: 133). Later, Hayek would add that ‘neither the much abused and much misunderstood phrase of “laissez faire” nor the still older formula of “the protection of life, liberty, and property” are of much help’ (1948: 17), and, most famously, that ‘nothing has done so much harm to the liberal cause as the wooden insistence of some liberals on certain rough rules of thumb, above all the principle of laissez faire’ (2008 [1944]: 71).

Understood in terms of the liberal antinomy between freedom and order, the crux of the neoliberal critique of laissez-faire was that it had erred too closely on the side of individual freedom, and had prevented the state from completing its necessary ordering functions. As British economist Theodore Gregory (1933: 308) put it, ‘we have, perhaps, worshipped

freedom too much and security too little; it is enough for the economist if he can make it clear that both are jealous gods who will permit of no divided allegiance'. Chicago economist Henry Simons (1934: 4) noted the 'disastrous neglect of the positive responsibility of government under a free-enterprise system', while American journalist Walter Lippmann (1937: 184) went even further, calling laissez-faire 'the cardinal fallacies of nineteenth-century liberalism'. Lippmann added that 'The whole effort to treat laissez-faire as a principle of public policy, and then to determine what should be governed by law and what should not be, was based on so obvious an error that it seems grotesque' (1937: 185), and that 'liberal thinking was inhabited in the metaphysics of laissez-faire, and the effect was to make the political philosophy of liberalism a grand negation, a general non possumus, and a complacent defense of the dominant classes' (1937: 203).

The early neoliberal critique of classical liberalism highlighted the inability of laissez-faire policies to prevent the concentration of power in private hands, evident in the growth of monopolies and private associations such as trade unions. In stark contrast to later neoliberal literature, large corporations were treated with significant suspicion, with economists such as Thomas Nixon Carver (1915: 328) warning that 'the larger the corporation, the greater its power...and this makes it especially important that its power be under control'. Similarly, Gustav Cassel (1924: 126) claimed that perfect competition was 'quite irreconcilable with a matter of great importance in modern economic life – the economic superiority of the large business'. For Simons, 'the great enemy of democracy is monopoly, in all its forms: gigantic corporations, trade associations and other agencies for price control, trade unions – or, in general, organization and concentration of power within functional classes' (1934: 4). The concentration of economic power created by corporate monopolies was viewed as inimical to the functioning of competitive capitalism in the early neoliberal discourse, and the maxim of laissez-faire entirely inadequate in preventing the concentration of power. Accordingly, early

neoliberal thinkers supported significant measures to limit corporate growth and enforce competition. For example, in the United States the trust-busting campaign of Assistant Attorney-General Thurman Arnold was widely praised by early neoliberal thinkers as ‘an earnest plea for restoration of free markets in the United States - for preserving our democratic way of life and preserving free internal trade as the basis of our political liberty’ (Simons 1941: 202; see also Arnold 1940). Milton Friedman later expressed the essence of the neoliberal critique of laissez-faire, writing in 1951 that laissez-faire had been ‘a basic error in 19th century individualist philosophy... it underestimated the danger that private individuals could through agreement and combination usurp power and effectively limit the freedom of other individuals.’

The neoliberal critique of laissez-faire also highlighted the general poverty and destitution that had been tolerated under laissez-faire. Walter Lippmann suggested that the classical liberal era had allowed the concentration of wealth and inequality, creating widespread destitution and leaving supporters of laissez-faire ‘helpless apologists for all the abuses and miseries which accompanied it’ (1937: 191). According to Ramsey Muir (1940: 159), ‘they [supporters of laissez-faire] could see the evils of government meddling, but not those of unregulated competition’. Similarly, American economist Frank Graham (1942: 207) suggested that ‘a naïve faith in the beneficence of natural forces has characterized the general attitude toward economic development in the past and has led to a passive acceptance of the surreptitious accumulation of illegitimate power in many vital quarters of the economy’. The political instability created by general poverty was also foregrounded in the discourse of the early German neoliberals such as Wilhelm Röpke, who suggested that ‘the lack of insight on the part of historical liberalism was especially great and the actual capitalist development which is sponsored particularly deplorable’ (1950: 120). Moreover, the neoliberal critique linked the level of unemployment tolerated by a laissez-faire polity to its decline, as according to Jacques

Rueff (1947: 529), permanent unemployment ‘made general the feeling that the liberal system had become inadequate for the new structure of the economic world. It led many generous minds to believe that a system which permitted the existence of such anomalies and inflicted such suffering was indefensible’. Again, the suffering and poverty tolerated under nineteenth century capitalism was believed to have definitively discredited the doctrine of laissez-faire, with Louis Baudin (2018 [1938]:111) suggesting that ‘liberalism, for many, is *laissez-faire*, *laissez-passer*, and one adds the let suffer [*laissez-souffrir*]’.

Although most classical liberal economists admitted the failures of classical liberalism, there was a minority which continued to defend the principle of laissez-faire in spite of the consensus against them. For example, in his review of Keynes’ lecture on ‘The End of Laissez-Faire’, Austrian economist Ludwig von Mises claimed that the various misfortunes cited by Keynes were precisely the result of the rejection of laissez-faire:

Had Keynes (really) spoken of the end of laissez faire et laissez passer, then he could not have failed to see that the world today is sick precisely because, for decades, things have not been regulated by this maxim. He who rejoices that peoples are turning away from liberalism, should not forget that war and revolution, misery and unemployment for the masses, tyranny and dictatorship are not accidental companions, but are necessary results of the antiliberalism that now rules the world. (Mises 1927)

Another persistent defender of laissez-faire was American libertarian Albert Nock, who also attributed the crises of the early twentieth century to the abandonment of laissez-faire, claiming that ‘under a regime of actual individualism, actually free competition, actual laissez-faire – a regime which, as we have seen, cannot possibly coexist with the State - a serious or continuous misuse of social power would be virtually impracticable’ (1935: 93). However, even those thinkers who persisted in defending laissez-faire admitted that the doctrine had been discredited in mainstream opinion. As Mises (1998 [1949]: 725) put it, ‘In our age of passionate longing

for government omnipotence the formula laissez faire is in disrepute'. Accordingly, he recognised that the changes in the world, most notably the rise of totalitarian states, precluded an immediate return to laissez-faire, claiming that 'under present conditions the adoption of a policy of outright laissez faire and laissez passer on the part of the civilized nations of the West would be equivalent to an unconditional surrender to the totalitarian nations' (1985b [1944]: 10). Thus, even the most partisan defenders of laissez-faire conceded that the threat of totalitarianism meant a temporary departure from laissez-faire was necessary.

The outbreak of WWII confirmed the end of laissez-faire, with the move to total war necessitating even further growth of states around the world, and many neoliberal thinkers openly blaming the policies of classical liberalism for the continued crises of the early twentieth century. For example, Alexander Rüstow (2018 [1938]:162) claimed that 'the great crisis in which we find ourselves is not, at its core, an economic crisis, but a vital crisis... Liberalism has had the lead in this development and it has brought the world to its current crisis'. Most neoliberals also recognised the responsibility of western states to defeat the fascist threat, which would require governments to significantly extend both the scope and power of state apparatus in the domestic wartime economies. When the doctrine of laissez-faire was considered during the war, it was only as a historical doctrine, and one that could have no bearing on contemporary policy. In his widely read *Capitalism, Socialism and Democracy*, Joseph Schumpeter (2010 [1942]: 378) wrote 'All I wish to emphasize is the fact that we have travelled far indeed from the principles of laissez-faire capitalism'. Austrian philosopher and founding MPS member Karl Popper (2013 [1945]: 350) concurred, noting in his political writings that 'laissez faire has disappeared from the face of the earth', adding 'I consider the economic policy of non-interference of the early nineteenth century as undesirable' (2013 [1945]: 691). In the immediate post-war era, supporters of the early neoliberal discourse would continue to locate

the end of laissez-faire in the early twentieth century, recognising that ‘the order which our fathers thought was so durable was slipping away under their feet’ (Rueff 1947: 528).

The rise of the totalitarian state

The second main theme in the early neoliberal discourse was the claim that the twentieth century had witnessed a rapid expansion in the size and power of states, and that this growth constituted an existential threat to human civilisation. The origins of the expansion were typically located in the failures of laissez-faire, with the growth of the state seen as a backlash against the suffering and inequality tolerated during the period of classical liberalism. As Frank Knight (1923: 588) put it, ‘long before complete individualism was closely approached its consequences were recognized to be intolerable, and there set in that counter-movement toward social interference and control which has been going on at an accelerating pace ever since’ (1923: 588; see also Knight 1938: 864-5). Walter Lippmann (1937: 48) also diagnosed the expansion of the state as a reaction which ‘in the nineteenth [century] set in against the crudities of laissez-faire’, claiming that ‘freedom would not have been annihilated in half of the civilized world, so seriously compromised in the other half, if the old liberalism had not possessed critical defects’ (Lippmann 2018 [1938]: 103).

Despite recognising that the state had neglected its necessary roles in the nineteenth century, the early neoliberal discourse claimed that in the twentieth century states had expanded far beyond what was required to address the inequalities of laissez-faire, and that the oversized state now constituted the most significant threat to both human freedom and stable economic order. The growth of the state was constructed as a direct threat to democracy, with Henry Hazlitt (1933: 5) suggesting that ‘all over the world democracy as we have come to know it seems to be either in desuetude or in disrepute’. The construction of the state as a dramatic

threat to human flourishing was aptly captured by Gregory (1933: 295), who suggested that ‘never before in the history of modern economic civilization, not even at the end of the war, have the prospects for the continuance of the present order seemed on the surface to be so poor’, with Cassel (1934: 307) adding ‘the actual drift of the revolution threatening our civilization is such as to fill every thinking man with the gravest apprehensions’. According to Chamberlin (1937: 2), ‘the history of the post-war phase in Europe has been one of severe and unbroken defeats for the ideals of democracy and individual liberty’.

The construction of the state as the greatest threat to human civilisation was bolstered throughout the 1930 and 1940s by a focus on the crimes of fascist and communist governments. Lippmann (2018 [1938]: 107) evidenced the neoliberal construction of the totalitarian state as an existential threat to civilisation when he warned that ‘the totalitarian rebellion of our time...attacks the sum total of the tradition of the Western world, its religion, its science, its law, its State, its property, its family, its morality, and its notion of the human person’. Extensive relations of equivalence were drawn between fascist and communist governments, with early neoliberal thinkers such as Chamberlin (1937), Voigt (1938) and Halévy (1938) claiming that Hitler’s Germany and Stalin’s Russia were essentially alike, with their respective crimes the result of the expansion of the totalitarian state. As French philosopher Louis Rougier (2018 [1938]: 97) put it, ‘socialism and fascism are two varieties of the same species’, with libertarian Isabel Paterson (1943: 237) adding:

with the war, Russians in German prison camps, Germans in Russian prison camps, are enduring no worse and no other fate than that their compatriots in as great numbers have endured and are enduring from their own governments in their own countries. If there is any slight difference, they suffer rather less from the vengeance of avowed enemies than from the proclaimed benevolence of their compatriots.

Crucially though, rather than merely constructing the rise of totalitarianism as an external threat, the early neoliberal thinkers claimed that the expansion of the state also posed an internal threat, whereby the changes that had occurred in Germany and Russia could easily spread to the rest of Europe and America. The internal threat was particularly linked with economic planning, with early neoliberal thinkers claiming that new economic programs devised in response to the Great Depression would inevitably lead to totalitarian socialism. As Gustav Cassel put it in 1934, foreshadowing the central argument of Hayek's *Road to Serfdom*:

The leadership of the State in economic affairs which advocates of Planned Economy want to establish, is, as we have seen, necessarily connected with a bewildering mass of governmental interferences of a steadily cumulative nature. The arbitrariness, the mistakes and the inevitable contradictions of such policy will, as daily experience shows, only strengthen the demand for a more rational coordination of the different measures and, therefore, for unified leadership. For this reason, Planned Economy will always tend to develop into Dictatorship. (Cassel 1934: 322)

The rise of Nazism and Stalinism were thus discursively linked to all forms of economic planning carried out by the state, with economic planning constructed by the neoliberal discourse as inimical to human freedom. Walter Lippmann (1934: 97) claimed that 'in a planned society no liberty is tolerable which would delay or hinder the execution of plans...Thus a completely planned economy calls for an authoritarian state'. Jacques Rueff (1947: 539) made the link even more explicit, suggesting that 'if Europe chooses the way of planning, the simple design created by Hitler is at hand for reproduction'. In the American context, the threat of planning was repeatedly linked to President Roosevelt's New Deal policies, with Rose Wilder Lane (1936 [1954]: 49) warning that 'Eleven years ago this creeping socialism sprang up armed with Federal power, and Americans—suddenly, it seemed—confronted for the first time in their lives a real political question: the choice between American

individualism and European national socialism'. Here, the threat of creeping socialism is constructed as external in origin, and foreign to the American tradition of individualism, but nevertheless as posing a severe internal threat to prosperity and individual freedom.

Friedrich Hayek's *Road To Serfdom* [1944] was important in popularising the thesis that economic planning inevitably led to totalitarianism. Along with Hayek, various other neoliberal thinkers constructed the growth of the state that accompanied the outbreak of WWII as the latest step in the trend towards statist control of society. For example, Alfred Winslow Jones claimed that 'fighting this war means the drastic curtailment or complete elimination of the kind of free-market system to which Americans are accustomed' (Jones 1942: 99), while Jacques Rueff (1947: 532-3) added that 'in all belligerent countries the system began to produce a new type of man who no longer acted after weighting advantages and disadvantages, profit and loss, but who did what he was ordered to do, like a soldier'. Frank Chodorov (1950: xx) warned that while Americans had previously believed that 'it cannot happen here', post-war trends were creating an increasingly authoritarian society, while John Jewkes (1948: vii) suggested that in post-war Britain:

the progressive restrictions on individual liberties, the ever-widening destruction of respect for law, the steady sapping of our instinct for tolerance and compromise, the sharpening of class distinctions, our growing incapacity to play a rightful part in world affairs – these sad changes are not due to something that happened in the remote past. They are due to something which has happened in the past two years. At the root of our troubles lies the fallacy that the best way of ordering economic affairs is to place the responsibility for all crucial decisions in the hands of the state.

Thus, the neoliberal discourse claimed that economic planning and the growth of the state posed an existential threat to human civilisation, constructing the state as the primary barrier to the two-fold *jouissance* of individual freedom and a stable, prosperous economic order.

Finding a middle ground between laissez-faire and totalitarianism

The final theme that figured prominently in early neoliberal discourse was the need to develop a new set of ideas that could find a middle ground between the neglect of laissez-faire and the threat of the totalitarian state. As Knight (1923: 601) put it, ‘economic and other activities will always be organized in all possible ways, and the problem is to find the right proportions between individualism and socialism and the various varieties of each, and to use each in its proper place’. Early neoliberal thinkers often described the task of delineating the middle ground for state activity as ‘positive economics’ (see for instance Hayek 1933: 133-4; Gregory 1933: 303; Simons 1934), in contrast to the purely negative economics of laissez-faire. For example, Gregory (1933: 303) suggested that ‘without positive functions as well, the modern capitalist order could not possibly survive, for there are a whole range of necessary tasks which it is not to the interest of the individual capitalist to provide at all, or, at least, not to the degree regarded as desirable’. Similarly, Lionel Robbins (1934: 191) argued that ‘private property is itself a creation of the State. The delimitation of its scope and the maintenance of the appropriate mechanism of contract is a task of the utmost complexity, which can only be performed by the state’. As already noted, there was a minority of classical liberals who refused to accept the need for any compromise between laissez-faire and state intervention, such as Mises (1969 [1944]: 10), who maintained that ‘contrary to a popular fallacy there is no middle way, no third system possible as a pattern of a permanent social order. The citizens must choose between capitalism and socialism’. However, for the most part the neoliberal discourse in the 1930s was characterised by a series of attempts to reformulate the case for economic liberalism in a manner which could find some sort of middle ground to resolve the ongoing antinomy between freedom and order.

One of the most significant early attempts to articulate a program for economic liberalism in the 1930s was Henry Simons’ *A Positive Program for Laissez Faire*, published in 1934. As the

title makes clear, Simons embraced the language of ‘positive’ economics, outlining a substantial role for the state in the economy, while still maintaining ‘laissez-faire’ as the central master signifier of his discourse. Simons begins by stating that ‘This is frankly a propagandist tract – a defence of the thesis that traditional liberalism offers, at once, the best escape from the moral confusion of current political and economic thought, and the best basis or rationale for a program of economic reconstruction’ (1934: 1). However, in clear contrast to the majority of the tradition of classical liberalism, Simon’s believed that the state needed to play an extensive role to ensure the maintenance of a stable competitive order. Simons (1934: 3) suggested that the state has:

heavy responsibilities and large ‘control’ functions: the maintenance of competitive conditions in industry; the control of currency (of the quantity and value of the effective money); the definition of the institution of property (especially with reference to fiscal practices) – not to mention many social-welfare activities.

Simons outlined a five-step program to allow the state to take greater control of the economy and protect the competitive order from decline. The first and most important step was eliminating all forms of monopoly, which Simons (1934: 4) described as ‘the great enemy of democracy’. For Simons (1934: 4), monopoly included ‘gigantic corporations, trade associations and other agencies for price control, trade unions – or, in general, organization and concentration of power within functional classes.’ Where private monopolies could not be eliminated, Simons (1934: 11-12) favoured the radical solution of nationalisation, claiming that ‘the state should face the necessity of actually taking over, owning, and managing directly, both the railroads and utilities, and all other industries in which it is impossible to maintain effectively competitive conditions’. Accordingly, Simons (1934: 18) contended that ‘every industry should be either effectively competitive or socialized’. Secondly, Simons argued that the state had to engage in a more active monetary policy, and ban the practice of fractional

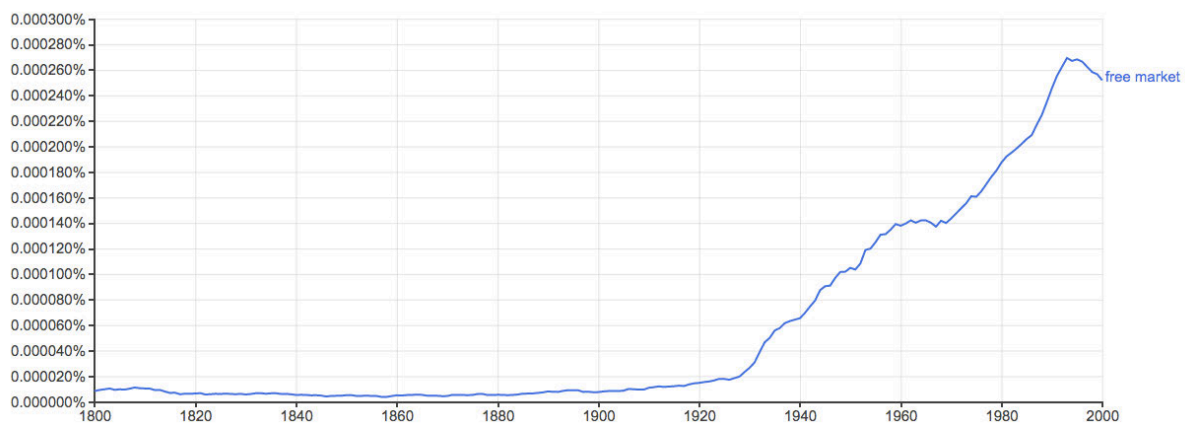
reserve banking which he claimed had caused the Great Depression. Thirdly, Simons argued that the taxation system had to be made more progressive, to increase the redistribution of income from upper to lower income earners. Fourthly, Simons favoured the unilateral elimination of all tariffs and subsidies, and fifthly argued for far-reaching restrictions of the advertising industry. In concluding, Simons also offered support for increased government expenditure in response to the Great Depression, suggesting that ‘main reliance must be placed on “reflationary” government spending’ (1934: 34), followed by long term reform of monetary policy.

Compared to contemporary understandings of neoliberalism, Simons program appears strongly dissonant, and includes many positions that appear to be openly socialist. For example, Simons (1934: 29) claimed that ‘There are remarkable opportunities for extending the range of socialized consumption (medical services, recreation, education, music, drama, etc.) and, especially, for extending the range of social-welfare activities’. Even more bizarrely though, Simons still believed that his program constituted a *laissez-faire* approach to political economy, illustrating the semantic decay of the *laissez-faire* signifier that had occurred over the course of the nineteenth century. In defining policies of nationalisation and socialised consumption as *laissez-faire*, Simons had taken the *laissez-faire* signifier to an interventionist extreme beyond even that envisioned by Bentham and Mill. Nevertheless, Simons’ work was clearly influential, particularly in the American context, with Hayek (2012 [1951]: 167) commenting that Simons’ work ‘offered a new and common basis for the aspirations of America’s young liberals.’ Simons’ articulation of an activist state, which intervened to maintain market order and to ameliorate the worst inequalities created by concentrations of private power, was immensely influential in the early neoliberal discourse. However, Simons’ continued insistence that his program be called *laissez-faire* cut directly against the long-term trends previously discussed, and although later neoliberal thinkers would follow his construction of the activist liberal state,

they would largely depart from his use of laissez-faire, instead seeking new master signifiers that could represent the new fixation between freedom and order that Simons' discourse represented.

Between 1930 and 1950, neoliberal thinkers experimented with a range of different master signifiers to represent their new liberal creed. Crucial terms in the early neoliberal discourse included free enterprise, competition, the price mechanism, competitive capitalism and the market economy. Most of these signifiers predated the neoliberal discourse, and had featured prominently in the classical liberal discourse. Yet the signifier that would take the most significant position in the neoliberal discourse was a signifier that was almost entirely absent from previous discourse, namely, the 'free market'. As figure 3.1 demonstrates by drawing on Google N-gram data, the 'free market' was not a commonly used term prior to the 1930s, and should therefore be considered the most notable innovation of the neoliberal discourse.

Figure 3.1 Historical Usage of the 'Free Market' Signifier from Google N-gram



In the rare instances where the phrase can be found in historical usage prior to the 1930s, it typically functioned as two distinct signifiers; that is, 'free', an adjective, applied to 'market', a noun. An early example of the isolated use of the free market signifier is the 1749 British

‘Bill for the establishment of a free market for the sale of fish in the city of Westminster’. After establishing a ‘free and open market’ for the sale of fish, the Bill proceeds to set prices that must be paid, and to void contracts for the sale of fish that do not fall under the strict boundaries of the act, demonstrating the vastly differing usage and that ‘free’ functioned as an adjective in the discourse, describing the legal status of a particular market. The use of free market as two distinct signifiers was still evident in the early 1930s. For example, when Merryle Stanley Rukeyser (1930) wrote that ‘The high degree of variability of the stock market, which is capable of mercurial flights from boom to panic and back to boom again, is the price that is paid for a free market’, ‘free’ was intended merely to describe the particular form of market that prevailed on Wall Street. The key distinction in the neoliberal discourse was to treat the ‘free market’ as one distinct signifier, thereby elevating the free market to an institution or noun in its own right, which would eventually come to be situated as the central master signifier in the neoliberal discourse.

One of the earliest adopters of the free market signifier was British economist Lionel Robbins. Robbins’ *The Great Depression*, published in 1934, was a ‘plea that the market should be freed, and that private property should be left to assume the risks of investment and enterprise’ (Robbins 1934: 191). Robbins distinguished the free market from both unbridled laissez-faire and state intervention, suggesting that ‘the free market [was] not necessarily free competition in the remote and rigid sense of the mathematical economists...[rather] the free market in the sense that the buying and selling of goods and the factors of production was not subject to arbitrary interference by the State or strong monopolistic controls’ (1934: 59-60). Robbins established a strong binary between the free market and economic planning, arguing that ‘a plan is the centralised disposal of factors of production. And centralised disposal of the factors of production precludes the existence of free markets’ (1934: 153). In 1937, Robbins published *Economic Planning and International Order*, which continued to juxtapose economic planning

with the efficiency of the free market. Situating his work in the long liberal tradition dealing with freedom and order, Robbins foregrounded the importance of a stable economic order, suggesting ‘the first essential is security...without order, no economy: without peace, no welfare’ (1937: 238-9). Yet for Robbins, the only institution that could deliver both ordered prosperity and individual freedom was the free market, with Robbins (1937: 266) discursively linking the competing ideas of freedom and order into a new conceptual framework able to conceal the antinomy at the heart of the liberal tradition:

the free market and private property are conducive to the most efficient utilization of material resources. But they are conducive, too, to the preservation of liberty and culture. In the multiplicity of buyers and sellers there is security against the excesses of tied personal relationships. There is no guarantee of personal independence so secure as the institution of private property.

Here, Robbins establishes the free market as delivering a two-fold *jouissance* of efficient use of resources and individual liberty, which is then framed again as security and personal independence. Thus, Robbins’ work was an early example of the crucial role which the free market master signifier would play in neoliberal discourse, unifying freedom and order into a cohesive discursive construction of the economic and political.

Although Robbins work was definitely influential, the most important text in establishing the free market as the master signifier in early neoliberal discourse was Walter Lippmann’s *The Good Society*, also published in 1937. Widely acknowledged as a seminal text by both supporters and critics of the free market discourse (cf. Hayek 2012 [1951]: 167 to Foucault 2008: 132), Lippmann (1937: ix) attempted to ‘reconcile with the comparatively new economy of the division of labour the great and ancient and progressive traditions of liberty embodied in laws’. Following the general themes of the early neoliberal discourse, Lippmann rejected both laissez-faire capitalism and socialism, suggesting that ‘fascism, communism, state socialism,

state capitalism, and nineteenth-century laissez-faire individualism, are incapable of reconciling the modern economy with our cultural heritage' (1937: ix). Instead, Lippmann claimed that the solution to the problem of reconciling individual freedom with the need for economic order could be found in Adam Smith's 'deepest insight', namely, that 'the wealth of nations proceeds from the division of labor in widening, and, therefore, freer, markets' (1937: 180).

Although Lippmann's early usage of the free market signifier was somewhat fragmentary, alternating between the adjective-noun form (i.e. 'freer' markets) and the noun-institutional form (i.e. 'the free market'), Lippmann clearly established the structure of later neoliberal discourse in which the free market would stand for the two-fold *jouissance* of both individual freedom and social order. According to Lippmann, only the free market could deliver a prosperous and stable social order while still respecting individual freedom, as 'there is no way of practising the division of labor, and of harvesting the fruits of it, except in a social order which preserves and strives to perfect the freedom of the market' (1937: 207). In explaining the ordering function of the free market, Lippmann constructed the free market as an institution that would discipline society, suggesting that the market used non-violent economic means to coercively create the social order. For Lippmann (1938:178), 'the determination of the legal system constitutes the liberal method of social control'. However, Lippmann recognised that if left to their own devices, market forces could undermine the social order because of the 'human cost' of economic progress, with Lippmann framing the rise of collectivism in the early twentieth century as a backlash against the disciplining forces of the market (Lippmann 1937: 171; see also Lippmann 1934). Accordingly, Lippmann's conceptualisation of the free market is not merely a reframing of laissez-faire, in which the state removes itself from the economic arena. Rather, Lippmann rejected the classical liberal natural law conception of a harmonious sphere of private interest alien to the state, recognising that private property, the market and

the social order were all creations of the state. As Lippmann (1937: 186) put it, ‘all freedom, all rights, all property, are sustained by some kind of law. So the question can never arise whether there should be law here and no law there, but only what law shall prevail everywhere’ (see also Lippmann 1937: 238). As Foucault (2008: 132) would later emphasise, an activist state that intervened to create both the market order and the individual freedom born of the free market was integral to Lippmann’s ‘good society’.

Having recognised the importance of the state in creating the market, Lippmann followed Simons in also tasking the state with a number of important responsibilities necessary to protect the market order, which included preventing the concentration of power in private hands and ameliorating the worst human suffering created by economic progress. For Lippmann, ‘it is the duty of a liberal society to see that its markets are efficient and honest...the improvement of the markets must be a subject of continual study in a liberal society’ (1937: 221). Under the heading of ‘The Reconstruction of Liberalism’, Lippmann began the task of studying the improvement of the market, outlining a broad role for the state to ensure the functioning of the free market. Firstly, Lippmann (1937: 221-2) argued that in a complex modern economy, where the buyer may not fully comprehend the nature of the goods they are buying, the state must ‘judge the technological honesty of goods’ offered in the marketplace. Additionally, Lippmann suggested that ‘it is necessary to take steps to reduce the evil of necessitous bargaining...[and that] a liberal state cannot be neutral as between those who have too little bargaining power and those who have too much power’ (1937: 222). In practice, Lippmann suggested this might include the state creating organizations to protect the rights of workers, producers and consumers. Again following Simons, Lippmann also claimed that ‘an indispensable principle of liberal policy is to outlaw monopoly and the unfair trade practices which lead to monopoly’ (1937: 222). Yet for Lippmann, a state which intervenes to prevent monopolies is not acting under the doctrine of laissez-faire, as Simons suggested, but is rather protecting the principle of the free market.

Thus, Lippmann claimed that the solution to the problem of monopoly is a state ‘committed to a mode of production which can be regulated only in free markets’ (1937: 222). Lippmann also tasked the state with reducing the size of corporations, as he believed that smaller corporations ‘would be more efficiently adapted to a dynamic economy’ (1937: 224), and that:

No one who really believes in the principle of a free market as the regulator of the economy can, I think, fail to see that the limited-liability corporation must be deprived of the right to retain profits and invest them, not according to the judgment of the market but at the discretion of the managers. (Lippmann 1937: 216)

Another crucial role for Lippmann’s liberal state was combatting the unearned incomes that ‘arise from the various kinds of monopoly, from exclusive rights in land and natural resources, from bad markets in which the ignorant and the helpless are at a disadvantage’ (1937: 225). For Lippmann, these incomes were problematic because they were ‘unearned by the criterion of the exchange economy...[and] are parasitical upon it, not integral with it’ (1937: 225), disrupting the stable economic order of the free market. Lippmann made clear that combatting unearned incomes required an activist state, which would intervene vigorously and extensively to maintain the functioning of the market order:

The reformers of liberalism must aim, therefore, at correcting the conditions under which such unearned incomes arise, and in so far as the reforms are thoroughgoing and effective the unearned incomes will not arise...These public investments and social services are, of course, expensive, and the process of financing them is a redistribution of income. (Lippmann 1937: 226)

Lippman therefore also acknowledged that the redistribution of income through progressive taxation was another important responsibility of the liberal state, with Lippmann emphasising that ‘a greater equalization of incomes, if brought about in the way outlined here, is the

necessary objective of a liberal policy' (1937: 227). Crucially, Lippmann distinguished state intervention to create markets, which he believed was necessary for a functioning liberal society, from illiberal, non-market supporting forms of state intervention such as 'leveling of incomes by taking from the rich and giving doles to the poor [which] would defeat itself and would merely paralyze and impoverish the whole economy' (1937: 227). Hence, Lippmann was again following Simons, who had argued that by intervening to create and support the market, 'the state seeks to establish and maintain such conditions that it may avoid the necessity of regulating "the heart of the contract" - that is to say, the necessity of regulating relative prices' (Simons 1934: 3).

Lippmann emphasised that his conceptualisation of the state was only a starting point, and that he 'sought only to indicate the more urgent and obvious points at which modern society is maladjusted to its mode of production' (1937: 225). Accordingly, Lippmann suggested that the future of economics should be the scientific study of the means by which the state could further improve the functioning of the free market. For example, regarding redistributive taxation, Lippmann conceded that 'in the practical present a cruder policy is unavoidable: one which redistributes large incomes by drastic inheritance and steeply graduated income taxes' (1937: 227). In the future though, Lippmann (1937: 227) suggested that advances in the 'science of taxation' would allow the tax burden to fall more precisely on unearned income, strengthening the free market while still redistributing income. By explicitly locating the future of economics, and indeed public policy more broadly, in the scientific domain, Lippmann was foreshadowing an important discursive move that would emerge later in the neoliberal discourse, in which contentious questions of public policy would be reduced to supposedly empirical scientific questions. Thus, in addition to establishing the free market as crucial master signifier, Lippmann was also one of the first neoliberal thinkers to structure elements of his discourse according to the discursive model of the university.

The Walter Lippmann Colloquium

Lippmann's *The Good Society* was highly influential in early neoliberal circles. Inspired by Lippmann's 'reconstruction of liberalism' (Lippmann 2018 [1938]: 106), French philosopher Louis Rougier organized the Walter Lippmann Colloquium in Paris in 1938, a gathering of intellectuals, economists, philosophers and capitalists who met to discuss the merits of Lippmann's work and the prospects for a new liberalism (for a list of participants, see Reinhoudt and Audier 2018: 96). The Colloquium was an important forum which, in the context of the imminent outbreak of war, brought together many of the most prominent early neoliberal thinkers, who gathered to 'renew liberalism in such a way to make it into a new doctrine, capable of providing questions and answers that might satisfy everyone' (Lippmann 2018 [1938]: 177). As Rougier (2018 [1938]: 93) put it, they were gathered 'for the purpose of reviewing the trial of capitalism and to seek to define the doctrine, the conditions of creating, the new tasks of a true liberalism'. Crucial to that task, for Rougier (2018 [1938]: 99), was delineating the correct role for the state, as he tasked participants at the Colloquium with determining 'which forms of intervention are compatible with the pricing mechanism, [and] which forms are incompatible with the laws of the market?' Thus, the participants of the Walter Lippmann Colloquium grappled with two important questions; firstly, what to call their new economic creed, and secondly, what exactly was the proper role for the state in their ideal society.

The first question, regarding what their new doctrine should be called, generated significant discussion at the Colloquium. Rougier (2018 [1938]: 93) was in favour of 'constructer liberalism', to indicate the important role of the state in constructing the market economy, whilst also suggesting 'neo-liberalism'. Other proposals included 'individualism' (Baudin 2018 [1938]: 111), 'neo-capitalism' (Rougier 2018 [1938]: 93), 'social liberalism' (Marlio 2018 [1938]: 180), 'renovated liberalism' (Rüstow 2018 [1938]: 170), 'positive liberalism'

(Marlio 2018 [1938]: 180) and ‘left liberalism’ (Rueff 2018 [1938]: 179). Mises (2018 [1938]: 112) indicated that he preferred to retain the labels of liberalism and laissez-faire, while acknowledging that in certain national contexts it might be strategically preferable to use other terms. It was in the context of the search for a new master signifier that Lippmann exposed the participants of the colloquium to the concept of the free market. In his remarks on the ‘agenda of liberalism’, Lippmann explicitly linked his new vision of economic liberalism to the free market, suggesting that ‘economic liberalism recognizes as a fundamental premise that only the pricing mechanism functioning in free markets allows for obtaining an organization of production likely to make the best use of the means of production and to lead to the maximum satisfaction of the wants of men’ (2018 [1938]: 177). The colloquium was therefore a crucial moment in the history of neoliberal thought because it exposed this broad group of early neoliberal thinkers to Lippmann’s construction of the free market as the discursive master signifier of neoliberal thought.

Lippmann’s language of the free market was taken up by other participants in the colloquium, some who had used it in their own work previously. For instance, in discussing the problem of monopoly, Mises (2018 [1938]: 121) argued that ‘the failure of these governmental measures [to combat monopoly] proves better than any other argument the accuracy of the thesis that I support, namely that no force leads, on a free market, to the creation of monopolies’. Here Mises was departing from the mainstream early neoliberal position by denying that government intervention was required to prevent monopolies, but he nevertheless presented his position in the language of the free market. German Alexander Rüstow was another early adopter of the free market signifier, and under his influence the idea of the free market would become central to the early German ordoliberal tradition. At the Walter Lippmann colloquium, he claimed that:

of all possible economic systems, it is the system of liberalism, of the economy of the free market, that combines the following advantages:

1. It is a system that is durable on its own because it is in stable equilibrium
2. It ensures the maximum degree of productivity and the highest standard of living
3. It alone is reconcilable with freedom and with the dignity of man

(Rüstow 2018 [1938]: 157)

Here, Rüstow is not only explicitly using the language of the free market, but also following Lippmann in constructing the free market as the only signifier that can deliver the combined *jouissance* of order, prosperity and individual freedom. Although here Rüstow presents a three-fold *jouissance*, in other contributions he would more closely imitate Lippmann in suggesting that the free market delivered a two-fold *jouissance* of a prosperous economic order and individual freedom. For instance, later in the colloquium Rüstow (2018 [1938]: 162) argued that ‘Man needs freedom *and* unity just as he needs to eat and drink’.

On the second question, regarding the correct role of the state in a liberal order, Lippmann’s construction of the activist liberal state intervening to create and protect the market order was also highly attractive to most of the participants at the colloquium. Following Lippmann, Rougier (2018 [1938]: 98) explicitly recognised that the state was a necessary component of a liberal economic order, noting that the ‘liberal regime is not only the result of a natural spontaneous order as numerous authors of the Codes of Nature in the eighteenth century proclaimed; but that it is also the result of a legal order that presupposes a legal interventionism of the State’. Similarly, Marlio (2018 [1938]: 114) highlighted that ‘the liberal attitude is not only that of crossed arms’, while Rüstow (2018: [1938]: 160) added that the market economy is ‘based on very specific institutional conditions, created and maintained voluntarily by men...[which] can function without friction and effectively only if a strong and independent State ensures the precise observance of these conditions’. As noted in the early literature on monopoly, the fear that state power could be captured and used to distort the market to advance corporate ends was prominent in the early neoliberal discourse, leading to the desire for a state

that was sufficiently strong and independent to resist corporate influence (Foucault particularly emphasised this point; Foucault 2008: 137).

However, although the early neoliberals all recognised that the state had an important role to play in protecting the market economy, precisely how far this role should extend was a question that generated significant disagreement. Lippmann, with the support of German ordoliberal thinkers, advanced a relatively expansive set of responsibilities for the state, which included ‘national defence, social insurance, social services, education and scientific research’ (Lippmann 2018 [1938]: 178). At the other extreme, Mises and his fellow Austrian economists articulated a much more circumscribed role for the state, which involved little more than defining and protecting private property. The various other contributions at the colloquium oscillate between these two poles, and hence as Reinhoudt and Audier (2018: 6) have highlighted, the early stages of neoliberal thought were characterised by ‘profound internal heterogeneity’. Although all participants at the colloquium could agree that their ideal state was neither the anarchist laissez-faire state nor the totalitarian total state, the precise formula for their ideal state somewhere between these two binary constructs continued to generate dissensus. As Lippmann (2018 [1938]: 111) highlighted in his concluding remarks, the underlying problem remained the antinomy between freedom and order, which required a new synthesis that could construct a stable economic order whilst protecting individual freedom:

The liberals will not be ready to guide an action so long as they will not have revised and reconstructed their philosophy, so long as they will not have discovered a new synthesis reconciling antitheses as clear as the one that exists between individual freedom and popular sovereignty, between order and freedom.

Although the Lippmann Colloquium was unable to create a consensus regarding the exact balance between freedom and order in the ideal liberal state, it was nevertheless an important historical event in the development of the neoliberal discourse. Crucially, the colloquium

exposed early neoliberal thinkers to Lippmann's language of the free market, and his conceptual framework of the activist liberal state maintaining order through the disciplining power of the free market. These ideas would prove influential in the post-war neoliberal discourse, and were taken up by a variety of neoliberal thinkers, including those who did not attend the colloquium. For example, in 1941 Henry Simons adopted the language of the free market, abandoning the laissez-faire signifier in 'For a Free-Market Liberalism'. In this work, Simons supported Lippmann's construction of an activist liberal state intervening to create and protect the market order, arguing that the 'state must jealously guard its prerogatives of controlling relative prices (and wages), not for the purpose of exercising them directly itself but to prevent organized minorities from usurping and using them against the common interest' (Simons 1941: 213-4). Other American-based writers such as Alfred Winslow Jones and Frank Graham also increasingly adopted the free market nomenclature during the war years. For example, Jones (1942: 99) claimed that 'the fostering soil of democracy has always been a system of free exchange. By free exchange is meant an economic system characterized by private property, free enterprise, free competition, and what is generally called a free market', adding 'The ideal: as conservative as possible in protecting the free market and as radical as necessary in securing the welfare of the people'. Similarly, Graham (1942: 207) argued that:

it would be a mistake to infer that free competition will generally and necessarily be the outcome of the play of market forces. Eternal vigilance is the price of economic as well as of political freedom – if the two can be spoken of separately – and the maintenance of the free market requires constant surveillance of the market milieu.

Here, Graham is not only adopting Lippmann's language of the free market, but also his construction of the ideal liberal state as eternally vigilant in its surveillance of the market order. Lippmann's language of the free market and construction of the activist liberal state also significantly influenced European neoliberal thinkers. For example, Karl Popper adopted the

concept of the free market, celebrating ‘the tremendous benefit to be derived from the mechanism of free markets’ (2013 [1945]:333), adding that ‘without a carefully protected free market, the whole economic system must cease to serve its only rational purpose, that is, to satisfy the demands of the consumer’ (2013 [1945]: 712). Lippmann’s construction of the activist state was also supported by Michael Polanyi (1947: 585), who suggested that the ideal society required ‘an undertaking by the government to provide fuel and oil for a machine which the government does not itself control’, and French economist Jacques Rueff (1947: 539), who argued that ‘the essential feature of the price mechanism is that it induces each individual to perform the actions which he ought to perform to ensure economic order, without force of any sort’, and further that:

If a country will accept the discipline implied by the effort of recovery, the effort will succeed and, after some months, the country will once again have prosperity in conditions of order and freedom. If it is not sufficiently adult to face the truth, the only solution will be to impose on it the discipline of thoroughgoing planning, under which freedom disappears. (Rueff 1947: 541)

Here, Rueff is clearly echoing Lippmann’s original discourse, constructing an explicit two-fold *jouissance* of freedom and order, which only the market can deliver, whilst also noting the disciplinary power of the price mechanism. Finally, German thinkers such as Wilhelm Röpke were also sympathetic to Lippmann’s activist liberal state, precursors of which could be found in the ordoliberal discourse (see for instance Röpke 1936: 195-6; Böhm 1937). Like Lippmann, Röpke (1950: 89-90) constructed the market as a mechanism that could create discipline and order in society while maximising the fulfilment of wants:

The market regulates these actions and gives all participants directives for the adjustment of production to the wants of the consumers. Obedience to these directives of the market is rewarded, disobedience is punished in the most extreme case with

bankruptcy (that is, compulsory withdrawal from the ranks of the entrepreneurs responsible for the production process) and by destruction of the economic basis of existence.

Röpke also recognised a wide sphere of valid state intervention that was necessary to protect and preserve the market order, distinguishing incompatible interventions – those ‘which paralyse the price mechanism and therefore force us to replace it by a planned (collectivist) order’ – from compatible interventions – those which ‘are in harmony with an economic structure based on the market’ (1950: 160).

3.3 The Mont Pelerin Society and the Problem of the State

In addition to facilitating the spread of Lippmann’s ideas, the Lippmann colloquium played another important role in the development of the neoliberal discourse by bringing together many of the key figures that would later form the Mont Pelerin Society (MPS), the key institutional setting in which the neoliberal discourse developed over time (Mirowski & Plehwe 2009). Immediately following the Lippmann colloquium, Rougier founded the International Centre of Studies for the Renovation of Liberalism, but his initial attempt to create an institutional home for supporters of new liberalism was frustrated by the outbreak of World War II, which prevented the international travel and interchange of ideas required for such a centre (Innset 2020: 49-59). Although Lippmann and Rougier had both been central figures in the early development of the neoliberal discourse, their personal influence and involvement faded significantly after the war, for different reasons. For Lippmann, the war meant that defeating fascism had to be prioritised over the development of a new liberalism (Reinhoudt and Audier 2018: 63), and though Lippmann was briefly a member of the MPS, post-war he was increasingly supportive of Democratic policies and Presidents such as the Kennedy and

Johnson administrations. Contrastingly, Rougier was ostracised after the war because of his collaboration with the Vichy government. He would lose his teaching position at the University of Besançon, was initially denied membership of the MPS, and instead developed ties with French far-right figures such as Alain de Benoist (Reinhoudt and Audier 2018: 74).

It was therefore without Rougier and Lippmann that following the conclusion of the war, the early neoliberal intellectuals again turned their attention to creating an institutional home for their new liberalism. As is now well documented, under the leadership of Friedrich Hayek, the Mont Pelerin Society was founded in 1947, and held its inaugural meeting in Mont Pelerin, Switzerland (Mirowski and Plehwe 2009; Burgin 2012; Whyte 2019). The original meeting involved thirty-nine participants, many of whom had attended the Lippmann Colloquium, but with a greater number of Americans, and specifically economists from the University of Chicago, including Milton Friedman, Aaron Director, Frank Knight and George Stigler. Other participants whose works are cited in this chapter include Walter Eucken, Frank Graham, Floyd Harper, Henry Hazlitt, Bertrand de Jouvenal, John Jewkes, Fritz Machlup, Michael Polanyi, Karl Popper, William Rappard, Leonard Read, Lionel Robbins, Wilhelm Röpke and Ludwig von Mises (for a full list of participants, see Innset 2020: 98-103). Like the Lippmann Colloquium, the MPS aimed to renew the liberal doctrine in response to the increasing prominence of statist policies around the world, with the society aiming to ‘facilitate an exchange of ideas between like-minded scholars in the hope of strengthening the principles and practice of a free society and to study the workings, virtues, and defects of market-oriented economic systems’ (MPS 2019a [1947]).

However, also like the Lippmann Colloquium, the early years of the MPS were characterised by significant dissensus regarding exactly what form this new liberalism should take, a fact that is often overlooked in teleological accounts of the development of the MPS which treat it as some form of organised corporate vanguardism (see for instance Mirowski 2013: 86, who

claims the MPS had a Leninist organisational ethos). As contemporary member of the MPS Eamonn Butler (2014:13) notes, 'internal conflict raged' throughout the early years of the society, generated by both personal grudges, and by deep political and strategic differences (see also Peck 2008: 3-4). At the centre of the dissensus remained the problem of the state, with widespread disagreement as to exactly how large a role the state should play in the ideal liberal society. As later President of the MPS Ronald Hartwell (1995: 36-7) put it in his history of the society:

Opinions varied, from those who believed that the government had the job of stabilizing the economy by fiscal measures to those who argued that the unresolved liberal problem was, as Robbins said, 'to discover automatic stabilizers which will work for the system as a whole'. Friedman saw the need for systems that are 'automatically active in response to stimuli'. But, asked Hayek, how can monetary policy be automatic, and outside the range of politics?' 'Can we agree,' George Stigler asked, 'that the first step should be to bring all money-making institutions under the control of the state?' They could not agree.

The most expansive vision of the state remained that of the German ordoliberals, expressed by thinkers such as Walter Eucken, Alexander Rüstow and Wilhelm Röpke. The ordoliberals favoured a strong state, which could stand above competing class and corporate interests to guarantee the independence of the market and the free operation of competition. As Rüstow put it, the 'economic system requires a market police with strong state authority for its protection and maintenance' (cited in Bonefeld 2012: 649), and according to Röpke (1950: 228), 'The freedom of the market in particular necessitates a very watchful and active economic policy'. Moreover, beyond protecting the functioning of the market economy, the ordoliberals believed that the state also had important social and redistributive functions. For example, Ludwig Erhard, ordoliberal member of the MPS and successful Economic Minister of Germany

during the *Wirtschaftswunder*, claimed that ‘we believe that the state has certain sociopolitical goals to realize...[including a] broad income tax which distributes the social productive capital of the nation into many hands’ (Erhard 1958: 41). Thus, the ordoliberals supported a conception of the state with a wide remit of interventionist activities which they called a ‘rational system of governmental intervention’ (Röpke 1950: 121), with Erhard (1958: 45) arguing that ‘in all cases where group interests distort or destroy competition, free price formation and so forth, the state will have to enter’.

A second competing opinion in the early MPS debates about the state was that of the older generation of American economists, which included Frank Knight, Harry Gideonese and Frank Graham. Like the ordoliberals, these economists supported a strongly activist state that intervened to prevent monopoly and protect the functioning of the market, through policies such as trust-busting legislation that limited the growth of corporations. The older American economists also tasked the state with social welfare functions which, while not as extensive as the ordoliberal account, were still significant. For example, Frank Knight (1967: 793) supported state funded social security insurance for the most disadvantaged, and as already noted, Henry Simons – whose participation in the MPS was prevented by his death in 1945 – supported various forms of state provided welfare. Chiefly, the older American economists opposed the New Deal and economic planning, which they saw as incompatible with a free economy, but still recognised a circumscribed role for the state in protecting the most vulnerable. The older generation of American economists tended to hold similar views to the British economists who participated in the MPS, such as John Jewkes from the University of Manchester and Lionel Robbins from the London School of Economics. For example, while Robbins strongly opposed all forms of economic planning (see Robbins 1934: 152; Robbins 1937: 13), Robbins takes it for granted that the liberal state should still ‘be responsible for roads and public health’ (1937: 244). Although Friedrich Hayek is often considered an Austrian

economist, his views aligned most closely with this group, given his virulent opposition to economic planning but support for social welfare measures. For example, in *The Road to Serfdom* Hayek (2008 [1944]: 148) contended that ‘there is no reason why in a society which has reached the general level of wealth which ours has attained, the first kind of security should not be guaranteed to all without endangering general freedom...there can be no doubt that some minimum of food, shelter, and clothing, sufficient to preserve health and the capacity to work, can be assured to everybody’.

A third broad group within the MPS was the younger generation of Chicago economists, which included Milton Friedman, Aaron Director and George Stigler, who tended to support a more limited conception of the state than the older generation of Americans. Like the ordoliberal and older American economists, this younger group still recognised an important role for the state in intervening to protect the functioning of the free market through avenues such as anti-monopoly legislation and trust-busting (see for instance Friedman 1951). However, the younger Chicago economists believed that the state should be much more circumscribed in its efforts to provide social welfare, arguing that the provision and distribution of basic goods such as housing and food was best left to market forces. For example, in a highly influential policy pamphlet published in 1946, Friedman and Stigler argued strongly against any form of government intervention in the housing market, claiming that ‘in a free market, there is always some housing immediately available for rent – at all rent levels’ (1946: 9).

The final main grouping was that of the Austrian economists, who adopted the most minimalist conception of the state. According to the Austrian view, the state should do nothing beyond fixing the definition of private property, protecting private property rights, and, in times of national crisis, defending the nation. At the original MPS meeting, the Austrian view was best represented by Ludwig von Mises and Fritz Machlup, but was also supported by a number of American economists from the newly founded Foundation for Economic Education, including

Henry Hazlitt, Floyd Harper and Leonard Read. The Austrians not only rejected a role for the state in providing social welfare, but also claimed the state should not intervene to prevent monopoly or other private concentrations of power. Rather, as Mises (2018 [1938]: 121) claimed, monopoly was a problem created by state intervention in the first place, and hence the solution was for the state to withdraw and allow market forces to destroy the monopolists. The strong cleavages between the Austrians and other participants in the MPS is illustrated by a well-known story involving Mises, who angrily stormed out of one of the discussion groups at the inaugural meeting in response to a tentative proposal to consider progressive taxation, decrying his fellow MPS members as ‘a bunch of socialists’ (Butler 2014: 5).

The broad disagreements among the competing groups at the MPS was reflected in the inability of the participants at the inaugural meeting to agree on a statement of their common convictions. The committee of six tasked with producing the founding statement were unable to find a consensual formulation (Innset 2020: 162-7), and so the society instead settled on a ‘Statement of Aims’, drafted at the last minute by Lionel Robbins, which outlined what they were opposed to:

The central values of civilization are in danger. Over large stretches of the Earth’s surface the essential conditions of human dignity and freedom have already disappeared. In others they are under constant menace from the development of current tendencies of policy. The position of the individual and the voluntary group are progressively undermined by extensions of arbitrary power...fostered by a decline of belief in private property and the competitive market. (Mont Pelerin Society 2019b [1947])

The task of outlining the positive alternative, the renewal of liberalism initiated by Walter Lippmann, was deferred to future meetings, with the crucial question - ‘The redefinition of the functions of the state so as to distinguish more clearly between the totalitarian and the liberal

order' - left for 'further study' by the society (Mont Pelerin Society 2019b). What was clearly lacking at the inaugural meeting of the Mont Pelerin Society was a sufficiently attractive master signifier that could unify these diverse views around the proper role of the state into a cohesive discourse. The participants were brought together by a previous attachment to the views of classical liberalism which most of them now rejected, but they had not yet fixed upon a new master signifier. The lack of a cohesive unifying signifier was most evident in the inability of the participants to even agree on a name for their society. After several naming proposals were rejected, such as the 'Acton-Tocqueville Society' and the 'Academy for the Study of the Philosophy of a Free Society', the group eventually accepted Karl Brandt's proposal to name the society after the location of the inaugural meeting (Butler 2014: 6-7). As Karl Popper noted at the time, this name was essentially 'meaningless' (Butler 2014: 7), aptly reflecting the fact that the society lacked a fixed locus of meaning, or in other words, a master signifier.

The free market as master signifier

As noted throughout this chapter, the crux of the disagreement about the role of the state was the inability to reconcile the concepts of freedom and order. Hence, what was required was a master signifier that could not only represent the diverse and heterodox views of the various different schools of thought present in the MPS, but which could also create an at least partial unification between freedom and order. The free market signifier, in discursively tying together the concept of freedom with that of a market order, was uniquely placed to achieve just such a discursive fixation. Although the language of the free market was only used by some of the participants at the inaugural MPS meeting, in the ensuing decades it would become prominent in the works of all the competing neoliberal schools of thought. Thus, the free market signifier not only offered a discursive solution to the antinomy between freedom and order, but also acted as a means to unify the competing opinions into a cohesive discourse.

The German ordoliberal thinkers were among the earliest adopters of the free market nomenclature, and heavily foregrounded the concept of the free market in their accounts of the ideal state. As I have previously noted, Alexander Rüstow had used the language of the free market as early as the Walter Lippmann Colloquium, while the free market also featured prominently in the work of Wilhelm Röpke. In *The Social Crisis of Our Time*, Röpke (1950: 227) outlined his ideal economic order, concluding that ‘the centre of this economic order will as we realized, have to be a free market...[which presupposes] not only a high degree of business ethics but also a state constantly concerned to maintain the freedom of the market and of competition’. His later work, *A Humane Economy: The Social Framework of the Free Market* [1960], was even more explicit in taking the free market as its titular master signifier. Ludwig Erhard also adopted the language of the free market to explain the success of the German economy in the post-war era, claiming that:

only the free market will guarantee that national resources will be utilized in the most meaningful and useful manner. Only the free market releases those forces which are necessary to stimulate a people to greater and more economic efforts, and only free competition in the market secures a people against the exploitation of cartels and similar monopolies (Erhard 1958: 40).

The free market was also adopted as master signifier by the older generation of American and British economists. As noted, Lionel Robbins frequently used the free market signifier in the 1930s, while Henry Simons wrote about ‘free-market liberalism’ in 1941. In the years following the founding of the Mont Pelerin Society, the free market signifier became increasingly prominent in the work of Friedrich Hayek, who published short popular pieces which explicitly used the free market as titular master signifier, such as ‘The Free Market Economy: The Most Efficient Way of Solving economic problems’ [1959] and ‘A Free-Market Monetary System’ [1977a]. Hayek also reproduced Lippmann’s formula of the free market as

a source of freedom and order, suggesting that ‘only government interference with prices, quantities, and then entry into trades is altogether incompatible with a free market. There is much Government may do or indeed must do in order to keep the market functioning – above all it must enforce the ordinary rules of law’ (1959: 2). The language of the free market also became more prominent in the works of other first-generation Chicago economists. For example, in a lecture on the intellectual history of laissez-faire, Jacob Viner used the free market to signify his ideal society, claiming that ‘Utopia to me would be a society with as completely free and competitive a market as was attainable in the setting of a welfare state in which mass poverty had been eliminated’ (1960: 68-9), adding that ‘No modern people will have zeal for the free market unless it operates in a setting of “distributive justice” with which they are tolerably content’ (1960: 68).

The second-generation Chicago economists also adopted the free market signifier enthusiastically, helping to facilitate its spread into mainstream global economic discourses. The most important contributor in this group was Milton Friedman, whose popular work brought the concept of the free market to the attention of millions, and played a crucial role in establishing the free market as the master signifier of the economic. In *Capitalism and Freedom*, published originally in 1962, Friedman offered an account of his ideal society, at the centre of which was the concept of the free market. In the introduction, Friedman claimed that his book’s ‘major theme is the role of competitive capitalism – the organization of the bulk of economic activity through private enterprise operating in a free market – as a system of economic freedom and a necessary condition for political freedom’ (2002 [1962]: 4). Friedman constructed the free market as the only institution capable of defending political and economic liberty whilst still providing the necessary ordering functions required for a stable social order. He claimed that ‘historical evidence speaks with a single voice in the relation between political freedom and a free market’ (2002: [1962]: 9), adding that there is no politically free society

‘that has not also used something comparable to a free market to organize the bulk of economic activity’ (2002 [1962]: 9). However, Friedman still highlighted that a minimal regulatory state, which would help support the ordering functions of the free market and prevent its corruption, was both necessary and entirely compatible with the free market:

The existence of a free market does not of course eliminate the need for government. On the contrary, government is essential both as a forum for determining the “rules of the game” and as an umpire to interpret and enforce the rules decided on. What the market does is to greatly reduce the range of issues that must be decided through political means, and thereby to minimize the extent to which government need participate directly in the game. (Friedman 2002 [1962]: 15)

The free market signifier also featured prominently in the discourse of Friedman's Chicago colleagues and other younger American economists. For example, James Buchanan wrote a 1954 article entitled ‘Social Choice, Democracy and Free Markets’, whilst George Stigler (1964: 32) foreshadowed an important theme in later neoliberal discourse by projecting the free market back into the past, claiming that ‘the dominant era of the free marketplace was in the Nineteenth Century...the absence of major wars in that century – the only peaceable century in history – was related to this reign of liberty’. In his 1964 article *The Parity of the Economic Market Place*, Aaron Director began the task of outlining a free market doctrine by examining ‘the appropriate scope of the free market’ (1964: 1), finding ‘the free market as a desirable method of organizing the intellectual life of the community...[and] as a desirable method of organizing its economic life’ (1964: 3).

The final main grouping within the MPS, the Austrian economists, were among the most enthusiastic adopters of the free market signifier. Their unquestioned intellectual leader, Mises, had used the term as early as 1929 (see Mises 2011 [1929]: 29, 30), and continued to use it in his post-war writing, concluding in *Human Action* that ‘the goals which most people,

practically even all people, are intent on attaining by toiling and working and by economic policy, can best be realized where the free market system is not impeded by governmental decrees' (1998 [1949]: 239). The use of the free market signifier was also prominent in the works of the American-based Austrian economists, such as Murray Rothbard, Leonard Read, Percy Greaves Jr. and Hans Sennholz. Rothbard, the most important of Mises' American students, was probably the most prolific in his usage of the free market signifier, claiming that 'the only intelligent choice is the purely free market' (1951: 184), and that 'the processes of the free market always lead to a gain in social utility' (Rothbard 1956: 250). Similarly, Leonard Read elevated the free market to the position of master signifier, evident in claims such as 'value, it has been conclusively proven, can be determined only by free market processes' (1950: 23), and 'the free market is as natural as life itself' (1954: 131). Hans Sennholz, another student of Mises in the 1950s, claimed that 'a market economy that is crippled and mutilated, modified and hampered by a host of government regulators and planners can no longer operate as smoothly as the free market economy' (1955: 12), while Percy Greaves Jr, unsuccessful Presidential candidate and student of Mises, concluded that 'a free market is the most efficient means that free, peaceful and intelligent men can use for the advancement of individual men as well as the general welfare' (1956: 286).

Despite the widely divergent views evident among the founders of the Mont Pelerin Society, in the decade immediately following the original meeting a consensus was formed around the idea of the free market. Writing in 1951, Hayek could reflect favourably on the progress made in the 'reconstruction of a solid edifice of liberal thought' (2012 [1951]: 165), concluding that:

Thirty years ago liberalism may still have had some influence among public men, but it had well-nigh disappeared as a spiritual movement. Today its practical influence may be scant, but its problems have once more become a living body of thought. We may

feel justified in looking forward with renewed faith to the future of liberalism. (Hayek 2012 [1951]: 169).

Inevitably, debate among the advocates of the free market continued, with both collegial and openly hostile disagreements frequently occurring both between and within the different schools of neoliberal thought. Yet in contrast to the earlier dissensus, there was now a central master signifier which the vast majority of neoliberal thinkers openly identified with, and which they believed offered the solution to the central liberal antinomy between freedom and order.

Chapter 4 The Rise of the Free Market: From dominated to dominant discourse

The establishment of a new master signifier traced in the previous chapter was only the first step in the construction of the neoliberal discourse. Having situated the free market as the crucial central concept, it was then necessary for neoliberal thinkers to expand the discourse, by constructing the key themes, and the relations of equivalence and differentiation, between the free market and the existing body of social signifiers. In this chapter, I trace the development of the neoliberal discourse from the 1950s until the Global Financial Crisis. In this period, the neoliberal discourse was transformed from a dominated, subterranean discourse primarily articulated by a small group of economists and political theorists, into a hegemonic construction of the economic which dominated the political field.

Retaining my Lacanian focus, I continue to illustrate the structural features of the discourse from which it derives its potency and affective influence. From the 1950s onwards, the neoliberal discourse consisted of two distinctive forms. The first form was a master discourse, in which the free market was posited as the unquestionable central signifier in accounts of the economic, around which the rest of economic and political knowledge could be structured. The master discourse claimed that the free market could deliver a three-fold *jouissance* of freedom, order and prosperity. Closely related to the master discourse was the persuasive and totalising fantasy constructed around the concept of the free market. The neoliberal fantasy located the free market in a glorified past, and charged the state with having destroyed the free market, concluding that if only the interfering state could be removed, the *jouissance* of the free market could be restored.

The second main form of free market discourse in this period took the form of a discourse of the university. In contrast to the master discourse, the university discourse relegated the discursive centrality of the free market signifier, and instead attempted to present neoliberal ideas as scientific common-sense, devoid of ideological or normative content. Crucial to the

university discourse was the ongoing ‘mathematisation’ of economics, in which implicit assumptions such as free market values and the rational individual were concealed behind mathematical formulae which appeared to convey objective, non-partisan and empirically grounded mathematical knowledge. As Robert Skidelsky (2019) puts it, ‘the goal of economics is to replace the particular languages that obstruct the discovery of general laws with the universal language of mathematics’.

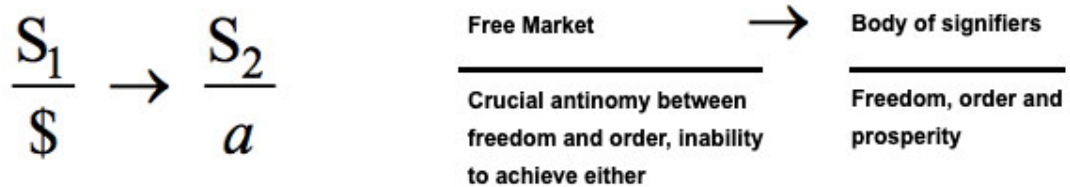
I argue that both the synergies and the distinctions between the two forms of free market discourse, and the narrative ordering function performed by the central neoliberal fantasy, are crucial in accounting for the attraction of the contemporary neoliberal discourse, and its rise to dominant frame for the economic prior to the GFC. In concluding the chapter, I briefly reflect on the hegemonic status of the free market in the 1990s and early 2000s. I note that while in the contested social domain no discourse can ever be entirely hegemonic, the free market construction of the economic had reached a sufficient degree of hegemony that there was either ‘a lack of political contestation, or all arguments need[ed] to draw on the basic vocabulary of the discourse in order not to get marginalised’ (Eberle 2019b: 17).

4.1 The Free Market as Master Discourse

The most prominent form of free market advocacy took the form of a master discourse, in which the free market was situated as the central signifier in explanations of the economic, around which the entire body of economic signification could be structured. Recalling the formula of the master discourse from chapter two, figure 4.1 illustrates the structure of the free market master discourse that emerged beginning in the 1950s.

Figure 4.1 The Free Market Master Discourse

Master's Discourse



In the neoliberal master discourse, the free market master signifier is situated in the position of agent, illustrating the centrality of the free market in the neoliberal construction of the economic. From the position of agency, the free market master signifier hails the broader body of signifiers, located in the position of Other, thereby ordering or interpolating the entire system of signification according to its relationship to the free market. For example, free enterprise, capitalism and democracy are all linked to the free market by relations of equivalence, and are therefore constructed positively, while the signifiers in relations of differentiation to the free market, such as socialism, nationalisation and welfare, are all constructed negatively. The product of the discourse is *objet petit a*, which takes the form of the three-fold *jouissance* promised by the discourse of the free market; that is, a transcendental personal freedom, a stable political and economic order, and increasingly in the later neoliberal discourse, material prosperity. Yet in the position of truth is the divided subject, which represents the inevitable failure of the free market discourse to deliver its promises of freedom, order and prosperity. As the previous chapter demonstrated, it was precisely the inability to deliver freedom and ordered prosperity that underpinned and indeed produced the free market signifier in the first place, but in the master discourse the inevitable division of the subject remains repressed, as the free market signifier shields the inevitable lack in its form of subjectivity.

I now turn to the three particular fruits of the free market promised by the neoliberal discourse. In the previous chapter, I noted the early neoliberal claim that only the free market could attain both freedom and order. From the 1960s onwards, the neoliberal discourse also emphasised a third feature of the free market, namely, that it could deliver an abundant material prosperity. In the following sections, I trace the process by which neoliberal thinkers developed their claims that the free market could create freedom, order and prosperity

The attainment of personal freedom

The first theme in the neoliberal master discourse was the promise of a transcendental freedom delivered by the free market. In response to Keynesian and social liberal attempts to define the concept of freedom more broadly (as in the social liberal tradition of ‘freedom from want’; see for instance Franklin Roosevelt’s four freedoms and Baldissone 2018 for a more in-depth genealogy), the neoliberal discourse developed a strongly reductivist account of freedom, according to which freedom was understood merely as the freedom to act unencumbered by the state. As Milton Friedman (1970: 33) put it, ‘in an ideal free market resting on private property, no individual can coerce any other, all cooperation is voluntary, all parties to such cooperation benefit or they need not participate’. The free market was constructed as the only institution capable of protecting the freedom of the individual to act as they saw fit. For Leonard Read (1965), ‘man enjoys freedom only if he be free to act...The free market, founded on economic decisions made independently of each other and resting, as it does, on common consent, is consonant and in harmony with freely acting man’. Within the neoliberal discourse the free market therefore came to stand for the possibility of freedom as such, evident in Friedman’s (2002 [1962]: 15) claim that ‘underlying most arguments against the free market is a lack of belief in freedom itself’.

Although the neoliberal discourse foregrounded economic freedom, neoliberal thinkers also claimed that other forms of freedom, such as political or intellectual freedom, were dependent on first securing the economic freedom of the free market. Milton Friedman established the primacy of economic freedom in *Capitalism and Freedom*, drawing on the historical examples of nineteenth century Britain and the United States to claim that:

Historical evidence speaks with a single voice on the relation between political freedom and a free market. I know of no example in time or place of a society that has been marked by a large measure of political freedom, and that has not also used something comparable to a free market to organize the bulk of economic activity (Friedman 2002 [1962]: 9; see also Stigler 1964: 32).

Friedman (2002: ix) would later use the example of Hong Kong to bolster his claim that economic freedom preceded political freedom, claiming that Hong Kong ‘persuaded me that while economic freedom is a necessary condition for civil and political freedom, political freedom, desirable though it may be, is not a necessary condition for economic and civil freedom’. Friedman also claimed that freedom of speech was dependent on the freedom of the market, suggesting that free speech could not functionally exist without the free market (Friedman 2002 [1962]: 2-3), and further that ‘prices determined in a free market are a form of free speech’ (Friedman & Friedman 1980: 305; see also F.A. Harper 1978 [1948]: 169). Friedman’s central thesis that economic freedom was a necessary prerequisite for all other freedoms was reproduced by a wide variety of neoliberal thinkers. For example, F.A. Harper (1978: 329) claimed that ‘economic liberty pervades the entire problem and is an absolute requisite to liberty in general’, for Ayn Rand (1961: 25), ‘intellectual freedom cannot exist without political freedom; political freedom cannot exist without economic freedom; a free mind and a free market are corollaries’, while Edmund Opitz (1966) claimed that ‘maintaining the integrity of the free market is essential to the preservation of every other liberty’.

The foregrounding of economic freedom was also evident in the particular conception of democracy developed by neoliberal thinkers in the 1960s and 1970s. The concept of democracy was a crucial component of the Keynesian and social liberal discourses that were hegemonic in the immediate post-war era, and according to which a democratically elected government could legitimately interfere in the market. In response to the hegemonic Keynesian construction of democracy, the neoliberal thinkers in this period attempted to construct an alternative conception of democracy, which circumscribed the ability of governments to intervene in the market, and instead located the marketplace as the correct site for citizen's democratic deliberations. Accordingly, the neoliberal discourse constructed strong relations of equivalence between the free market and democracy, suggesting that genuine democracy could only exist in a society with a functioning free market. For example, Ludwig Erhard (1958: 40) claimed that 'only in a free economy is it possible for democracy to exist as a social system', while for Friedman:

The characteristic feature of action through political channels is that it tends to require or enforce substantial conformity. The great advantage of the market, on the other hand, is that it permits wide diversity. It is, in political terms, a system of proportional representation. Each man can vote, as it were, for the color of tie he wants and get it; he does not have to see what color the majority wants and then, if he is in the minority, submit. It is this feature of the market that we refer to when we say that the market provides economic freedom (Friedman 2002 [1962]: 15; see also Leoni 1991 [1961]: 166; Rand 1966: 47-8).

Having constructed the marketplace as the proper site of democratic deliberation, the neoliberal discourse contrastingly claimed that representative democracy was a 'distortion' of the democratic process (Leoni 1991 [1961]: 166), and that unchecked majoritarian democracy was incompatible with a free society. James Buchanan (2000 [1975]: 204-5) claimed that 'even

under favourable conditions the operation of democratic process generate budgetary excesses. Democracy may become its own Leviathan unless constitutional limits are imposed and enforced'. Buchanan would develop this thesis further with Richard Wagner in *Democracy in Deficit: The Political Legacy of Lord Keynes* [1977], which utilised public choice theory to claim that social democracies naturally tended towards unsustainable deficits and were destructive of economic freedom. As Friedman (1998, cited in Slobodian 2019) would later put it, 'I believe a relatively free economy is a necessary condition for freedom. But there is evidence that a democratic society, once established, destroys a free economy'.

Accordingly, the ideal society constructed by the neoliberal discourse was one in which the ability of democratically elected governments to interfere in the market was severely limited. In practical terms, both Hayek and Buchanan devoted significant attention to developing model constitutions which would limit the power of governments to interfere in the market. Buchanan outlined his ideal constitutional democracy in *The Calculus of Consent* [1999], while in *Law, Legislation and Liberty*, Hayek set out the principles of a 'model constitution' that would protect economic liberty. As Hayek (1998 [1979]:109) put it:

The basic clause of such a constitution would have to state that in normal times, and apart from certain clearly defined emergency situations, men could be restrained from doing what they wished, or coerced to do particular things, only in accordance with the recognized rules of just conduct designed to define and protect the individual domain of each.

Further suggestions for limiting the ability of the democratic polity to interfere in the market included the establishment of independent central banks which would protect monetary policy from political decision making, and the establishment of fiscal charters and budgetary rules, which would limit the ability of governments to tax and spend. Independent monetary policy has largely become an embedded norm in developed economies, with the majority of central

banks now operating independently from democratically elected governments (Burkovskaya 2019). Although attempts to remove fiscal policy from direct democratic control have proved less successful, there are some examples of constitutional limits placed on fiscal policy. For example, by 1999 forty-nine out of fifty US states had passed some sort of fiscal rules limiting the ability of governments to raise taxes and expenditure (Poterba and Rueben 1999: 5-14), such as the Gann limit in California which limited the rate of growth of government expenditure (Friedman 1993: 6). The European Union also adopted strict fiscal rules for its member states under the Fiscal Stability Treaty of 2012, which required governments to maintain balanced budgets, and limited government debt to 60% of GDP (Li 2014: 52).

In contrast to other neoliberal thinkers who attempted to re-define democracy in a form that was compatible with the free market, Hayek was more open in recognising that substantive democracy was not compatible with the principles of economic liberalism. Hayek's ambivalence towards democracy is evident both in his well-documented theoretical reliance on the work of Carl Schmitt (Scheuerman 1997; Irving 2018), and also in his open support for dictatorships which adopted the principles of economic liberalism. For example, Hayek sent a copy of *The Constitution of Liberty* (2011 [1960]) to Portuguese dictator Antonio Salazar, adding a note stating that he hoped the text would help Salazar 'in his endeavour to design a constitution which is proof against the abuses of democracy' (cited in Farrant *et al.*: 521). Hayek also sent his model constitution to Chilean dictator Augusto Pinochet, and in an interview during a sympathetic visit to Chile, Hayek openly admitted that he preferred an economically liberal dictatorship to an economically illiberal democracy (Whyte 2019: 117; cf. Friedman's comments about Hong Kong, which while not as explicitly anti-democratic, make a similar point; Friedman 2002: ix).

After his 1977 trip to Chile, Hayek authored 'True Reports on Chile', an explicit defence of the social and economic policies of the Pinochet regime (Fischer 2009: 339, n.2). The

neoliberal German newspaper *Frankfurter Allgemeine Zeitung*, for which Hayek had initially written the report, refused to publish it, forcing Hayek to publish elsewhere (Fischer 2009: 339). The controversy with Hayek, FAZ and Chile illustrates the extent to which ‘democracy’ remained a powerful positive signifier, which most neoliberal thinkers preferred to resituate within a vocabulary of economic freedom, rather than explicitly reject by supporting a dictatorship. For example, despite her personal friendship with Pinochet, UK Prime Minister Margaret Thatcher (1989) used the concept of ‘free-market democracy’ to describe her ideal political system, discursively combining the pre-existing positive associations of democracy with the concept of the free market. In contrast, Hayek’s comments and actions supporting an economically liberal dictator made explicit what most other neoliberal thinkers preferred to leave implicit; namely, that substantive democracy was incompatible with the economic freedom promised by the discourse of neoliberalism. As Friedman (2002 [1962]: 24) put it in more delicate terms, ‘that majority rule is an expedient rather than itself a basic principle is clearly shown by the fact that our willingness to resort to majority rule, and the size of majority we require, themselves depend on the seriousness of the issue involved’. Rather than openly challenging the principles of democracy, the mainstream neoliberal discourse attempted to re-define democracy, foregrounding economic freedom and minimising participatory forms of democracy which could potentially challenge the autonomy of the market.

Of the three main forms of *jouissance* promised by the free market discourse, freedom was generally foregrounded as the most significant. For example, in making the case for the free market in 1964, Aaron Director (1964: 8) claimed that ‘the traditional defence of the free market as a method of organizing economic life has been utilitarian or instrumental...but I have tried to emphasize the importance of the free market as an end in itself, as an important aspect of freedom to choose between alternatives.’ Here, Director is clearly distinguishing the master discourse from the university discourse, suggesting that while it is possible to use an empirical

and scientific discourse to prove the pre-eminence of the free market, he prefers to support the free market as an intrinsic object of desire. Similarly, in *Can Capitalism Survive?*, Austrian neoliberal Benjamin Rogge (1979: 40) highlighted that:

You will note as I develop my case that I attach relatively little importance to the demonstrated efficiency of the free-market system in promoting economic growth, in raising levels of living. In fact, my central thesis is that the most important part of the case for economic freedom is not its vaunted efficiency as a system for organizing resources, not its dramatic success in promoting economic growth, but rather its consistency with certain fundamental moral principles of life itself.

Here, Rogge exhibits the three-fold *jouissance* promised by the neoliberal discourse in the post-war period, suggesting that the free market delivers efficient progress in raising the standard of living, an efficient ordering of economic resources, and, most importantly, is consistent with moral principles of freedom. Rogge is therefore an exemplar of the master discourse, constructing the free market as an institution capable of delivering *jouissance* to the desiring subject. Rogge's discourse also evidences the transcendental and quasi-theological tone particular to the Austrian variant of the neoliberal discourse. For example, Rogge explicitly equated the free market with the 'God-head', suggesting that:

The free market cannot produce the perfect world, but it can create an environment in which each imperfect man may conduct his lifelong search for purpose in his own way...This freedom is what it means to be a man; this is the God-head, if you wish. I give you, then, the free market, the expression of man's economic freedom and the guarantor of all his other freedoms (Rogge 1979: 53-4; for other attempts to equate the principles of Christianity with the free market, see Harper 1978: 238-9; Greaves 1973: 97-8).

For the analyst observing Rogge from outside the confines of the discourse, the hyperbolic modality recalls Žižek's (1998: 101) archetype of the "overconformist" authors who undermine the ruling ideological edifice by their very excessive identification with it'. Yet although Rogge's construction of the free market as the God-head appears extreme, the basic formula – that the free market is the only institution that can provide genuine freedom – became ubiquitous within the neoliberal discourse.

The maintenance of social order

The second main *jouissance* promised by the neoliberal discourse was the maintenance of a stable social order. As noted in the previous chapter, the problem of securing a durable order which still respected individual freedom was the central neoliberal concern, and the free market master signifier, in discursively unifying notions of freedom with a stable market order, emerged as the resolution to the liberal antinomy between freedom and order. As Buchanan (2000 [1975]: xv) put it, 'Men want freedom from constraints, while at the same time they recognize the necessity of order'. In the post-war period, neoliberal thinkers expanded their thesis that the free market prevented social and political conflict, and hence was uniquely placed to deliver a spontaneous and harmonious social order.

The ability of the free market to create social order was a theme emphasised in the discourse of the German ordoliberals. In the aftermath of Nazism, the need to construct a harmonious social order which would prevent the social fragmentation and inequality that allowed fascism to prosper was a central concern in ordoliberal thought. The ordoliberal solution was the framework of the strong state and the free economy, according to which a strong state would protect the free market (Foucault 2008: 101-128; Bonefeld 2017). The ordoliberals argued that the state should act as the 'market police' (Rüstow 1942: 289), tasked with intervening to

maintain the freedom of the market by shutting down individuals or corporations that attempted to undermine the disciplining forces of the marketplace. As German Chancellor Ludwig Erhard (1958: 45) put it, ‘in the 19th century the state was a passive policeman; today it is an active protector of liberty’. The ordoliberalists believed that non-market forces could threaten the internal workings of the free market, but so long as a strong state protected its functioning, the free market could deliver a harmonious social order (Bonefeld 2017; Reinhoudt and Audier 2018). As Wilhelm Röpke (1950: 89-90) claimed, ‘it is liberal to entrust economic order, not to planning, coercion, and penalties, but to the spontaneous and free co-operation of people through the market, price, and competition, and at the same time to regard property as the pillar of this free order’.

In contrast to the ordoliberal account of the state securing the freedom of the market order, the Austrian and American neoliberal accounts of social order placed far less emphasis on the role of the state. Although the Austrian and American neoliberals recognised some role for the state in securing the market order and protecting private property (see for instance Mises 1966: 282; Friedman 2002 [1962]: 15), in the post-war period the Austrian and American schools of neoliberal thought placed a far greater emphasis on the free market as the source of spontaneous order. The work of Hayek was particularly important in presenting the market as the only possible source of a functioning social order. Hayek claimed that the free market constituted a system for processing information, which could instantaneously harmonise the needs and wants of millions of consumers, thereby continually arriving at the best possible distribution of economic resources. In response to the problem of social order, Hayek claimed that:

What is needed, therefore, is an impersonal mechanism of communication which conveys to the individuals just that information which they require in order to adjust their decisions to those of their fellows. This is what prices in an unhindered market

will do – not perfectly, but infinitely better than can be achieved by any other known method (Hayek 1959: 1; see also Hayek 1948).

Hayek claimed that the free market created a spontaneous social order, and that any attempts to interfere in this order would only create chaos and disharmony. As Hayek (1978) would later put it, ‘the chief insight gained by modern economists is that the market is essentially an ordering mechanism, growing up without anybody wholly understanding it, that enables us to utilize widely dispersed information about the significance of circumstances of which we are mostly ignorant’.

Hayek’s construction of the market as the only mechanism capable of securing a harmonious social order was reproduced by a variety of both Austrian and American neoliberal thinkers. A notable and widely read example was Leonard Read’s *I, Pencil* (1999 [1958]), a parable highlighting the multitude of interactions required to manufacture a simple lead pencil, and claiming that such a spontaneous order could only emerge in societies organised according to the free market. As Donald Boudreaux (1999: 16) put it in his sympathetic introduction, Read’s parable demonstrated ‘the astounding fact that free markets successfully coordinate the actions of literally millions of people from around the world into a productive whole’. Read’s parable would later be approvingly repeated by Milton Friedman (1980: 11-12), and even turned into a short animated film, *I, Pencil: The Movie* by the Competitive Enterprise Institute. Friedman would also popularise Hayek’s claims about spontaneous order, claiming in *Free to Choose* that ‘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 and Friedman 1980: 13; see also Kirzner 1998). Interestingly, Friedman locates the insight that free markets create order in the work of Adam

Smith, again demonstrating the pervasive neoliberal trope in which free market principles and prosperity are located in a glorified past.

Later neoliberal thinkers also followed Hayek in arguing that state attempts to interfere in the market were destructive of order, constructing a simple binary between the harmonious order of the free market and the chaos and disorder of state intervention. For example, in *The Rise and Fall of Society* (1959), Frank Chodorov claimed that the increased state intervention characterising the post-war historical period was destroying the fabric of the social order. Similarly, Leonard Read (1965) established a straightforward binary between state planning and the free market when he argued that ‘the more a country’s economy is politically ordered or "planned," the more chaotic is production and exchange. Conversely, the freer the market—that is, the greater the extent that economic decisions are made independently of each other—the more order there is in production and exchange’. Later neoliberal thinkers also drew on Hayek’s original thesis from *The Road to Serfdom*, which had claimed that government intervention tended to lead to more government intervention, to bolster the argument that state action created social disorder. For example, William Peterson (1980) suggested that:

to restore “order” the authorities ignore the fact that it was their interventions that largely caused the problem in the first place, and so they intervene further. For example, they fight inflation with price controls. But the more they intervene, frequently egged on by interest groups, the greater becomes the disorder (Peterson 1980; see also Greaves 1975: 98; Friedman 2002 [1962]: 159-60).

Austrian and American neoliberal thinkers also developed Walter Lippmann’s conception of the free market as a mechanism that would automatically discipline those who attempted to disrupt the liberal market order. For instance, in *Capitalism and Freedom*, Friedman (2002 [1962]: 108-111) considers the problem of segregation and racial discrimination. While noting that he ‘deplores’ those who engage in racial discrimination, Friedman nevertheless maintains

that the government should not intervene to prevent racism, because it is contrary to the principles of liberalism to ‘use coercive power to enforce my taste and my attitudes on others’ (Friedman 2002 [1962]: 111). Instead, according to Friedman, the solution is the gently coercive power of the market, as the racist individual incurs higher costs on themselves as a result of their discrimination, which ‘in a free market will tend to drive him out’ (Friedman 2002 [1962]: 110). Mises (1998: 597) also noted the disciplining power of the market, suggesting that fluctuations on a free market ‘penalize disobedience by cutting wage rates in the comparatively overmanned branches and recompense obedience by raising wage rates in the comparatively undermanned branches. They thus submit the individual to a harsh social pressure’. Crucially though for Mises, in contrast to the coercion of the state, the coercion of the market ‘is not rigid. It leaves the individual a margin in the limits of which he can choose... This amount of freedom is the maximum of freedom that an individual can enjoy’ (Mises 1998: 597).

The American and Austrian neoliberal variants were therefore far more state-phobic than the ordoliberal account, with the former placing a far greater emphasis on the ability of the free market to deliver a spontaneous social order. However, it is important to note that even the Austrian and American neoliberal variants acknowledged some limited role for the state in maintaining the free market order, carefully distinguishing the neoliberal position from that of anarchism. As noted in the previous chapter, Friedman (2002 [1962]: 15) recognised a role for the state in ‘determining the rules of the game’ and acting as ‘umpire’ in interpreting and enforcing the rules. Similarly, Mises (1966: 282) highlighted that ‘the maintenance of a government apparatus of courts, police officers, prison, and of armed forces requires considerable expenditure. To levy taxes for these purposes is fully compatible with the freedom the individual enjoys in a free market economy’. In delineating the precise boundaries of which state interventions were permitted to protect the market order, anarchism served as the

constitutive outside, with various neoliberal thinkers justifying their support for a particular state intervention by citing the need to distinguish their position from the supposedly unordered chaos of anarchism. For example, Friedman (2002 [1962]: 34) frequently noted that ‘the consistent liberal is not an anarchist’, while Buchanan (2000 [1975]: 10) similarly concluded that ‘to the individualist, utopia is anarchist, but as a realist he recognizes the necessity of an enforcing agent, a collectivity, a state’. Although the followers of Austrian economist Murray Rothbard would later adopt the term anarcho-capitalist to describe their views, they were still careful to distinguish their position from traditional anarchism, with Rothbard (2008 [1953]) claiming ‘that we are not anarchists, and that those who call us anarchists are not on firm etymological ground, and are being completely unhistorical’.

The final dimension of the neoliberal discourse relating to social order was the reproduction of a classical defence of capitalism that Albert Hirschman (1977) initially termed ‘the doux-commerce’ or ‘the sweetness of commerce’. According to Hirschman, the initial advocates of capitalism claimed that the peaceful and orderly market relations of capitalism would replace the violent ‘passions’ of pre-capitalist societies. Although the ‘doux-commerce’ defence of capitalism largely disappeared in the nineteenth century, as Whyte (2019: 15-17) has recently highlighted, the ‘sweetness of commerce’ argument was recovered by neoliberal thinkers in the twentieth century, who claimed that peaceful market relations offered an antidote to the political turmoil, violence and wars of the early twentieth century. For instance, Friedman (2002 [1962]: 21) presented the case for the sweetness of commerce in *Capitalism and Freedom*, claiming that:

no one who buys bread knows whether the wheat from which it is made was grown by a Communist or a Republican, by a constitutionalist or a Fascist, or, for that matter, by a Negro or a white. This illustrates how an impersonal market separates economic activities

from political views and protects men from being discriminated against in their economic activities for reasons that are irrelevant to their productivity.

Mises (1979: 335) also contrasted the harmony of the market society with the apparent violence of non-market societies, claiming that ‘the desire for an increase of wealth can be satisfied through exchange, which is the only method possible in a capitalist economy, or by violence and petition as in a militarist society, where the strong acquire by force, the weak by petitioning’. Following Mises, O’Driscoll argued that the free market was the only mechanism that could deliver peace, as ‘without prices and free markets, society requires guns and dictatorship’ (O’Driscoll 1978: 131; see also Rand 1966: 38). The desire to establish a strong and stable social order remained an enduring trope in neoliberal thought, with different generations and schools of neoliberal thought all maintaining that only the institution of the free market could truly deliver the order so ardently desired. In the final lines of his magnum opus, *Man, Economy, and State*, Rothbard (2004 [1962]: 1024) aptly captured the importance of the promise of order in the neoliberal discourse, concluding that ‘not only does the free market directly benefit all parties and leave them free and uncoerced; it also creates a mighty and efficient instrument of social order. Proudhon, indeed, wrote better than he knew when he called “Liberty, the Mother, not the Daughter, of Order.”’

Economic progress and prosperity

The final *jouissance* promised by the neoliberal discourse in the post-war period was economic prosperity and progress. Although economic prosperity featured less prominently in the early neoliberal discourse, from the 1960s onwards the affluence allegedly engendered by free market capitalism became increasingly prominent in neoliberal arguments, which often contrasted the economic progress of capitalist economies with the poverty and stagnation of

communist states. In the 1950s, neoliberal thinkers were still claiming that even the United States and Britain had been taken over by totalitarian socialism, and hence could not easily point to successes of a free market system that they claimed had been wiped out. Instead, neoliberal thinkers were forced to predict a potential future of free market prosperity, or else rely on praxeological logic –in the Austrian economic tradition – to bolster their claims that the free market could deliver economic progress (see for instance Pew 1950; Rothbard 1956: 250).

A crucial turning point in the structure of the neoliberal discourse occurred following the *Wirtschaftswunder* or ‘German economic miracle’. Under the leadership of MPS member and Minister of Economic Affairs Ludwig Erhard, the German economy expanded rapidly throughout the 1950s, with much of the success credited to the ordoliberal social market economy model (Friedman and Friedman 1980: 56; Van Hook 2004). Erhard himself clearly attributed the success of the German recovery to the free market, claiming in a 1958 interview that ‘only the free market releases those forces which are necessary to stimulate a people to greater and more economic efforts, and only free competition in the market secures a people against the exploitation of cartels and similar monopolies.’ Similarly, Wilhelm Röpke (1960: 3) placed great emphasis on West Germany as an exemplar of the triumph of the free market, claiming that ‘we have the irrefutable testimony of the last fifteen years, particularly in Germany, that the opposite [of socialism] - the liberal technique of the market economy opens the way to well-being, freedom, the rule of law, the distribution of power, and international co-operation’.

Despite the fact that the German state under Erhard adopted many policies that were inimical to other neoliberal schools of thought, such as social welfare and aggressive anti-monopoly policies, the versatility of the free market master signifier allowed American and Austrian neoliberals to cite Germany as evidence for the prosperity created by the free market. Despite

his opposition to many of the social welfare policies implemented during the *Wirtschaftswunder*, Milton Friedman (1980: 56) could claim that ‘it seemed a miracle when West Germany—a defeated and devastated country—became one of the strongest economies on the continent of Europe in less than a decade. It was the miracle of a free market’. Neoliberal thinkers were also quick to establish a strong binary between East and West Germany, contrasting the economic success of the West with the economic stagnation of the East. Friedman (1980: 55) argued that the strongest evidence for the prosperity created by the free market was:

the contrast between East and West Germany, originally part of one whole, torn asunder by the vicissitudes of warfare. People of the same blood, the same civilization, the same level of technical skill and knowledge inhabit the two parts. Which has prospered? Which had to erect a wall to pen in its citizens? Which must man it today with armed guards, assisted by fierce dogs, minefields, and similar devices of devilish ingenuity in order to frustrate brave and desperate citizens who are willing to risk their lives to leave their communist paradise for the capitalist hell on the other side of the wall?

In addition to citing the success of capitalist West Germany, from the 1960s the neoliberal discourse also increasingly contrasted the economic prosperity of the United States with the economic stagnation of the USSR and other communist states. As Friedman (2002 [1962]: 199-200) put it, ‘the United States has continued to progress; its citizens have become better fed, better clothed, better housed, and better transported; class and social distinctions have narrowed; minority groups have become less disadvantaged; popular culture has advanced by leaps and bounds. All this has been the product of the initiative and drive of individuals cooperating through the free market’. Each of these material advancements – food, clothing, housing and transport – are here attached to the free market master signifier, which Friedman constructs as the institution uniquely responsible for material progress. The versatility of the

free market signifier allowed any economic advancement to be claimed as an achievement of the free market, such as when Friedman (1980: 26) claimed that ‘modern physics is as much a product of a free market in ideas as a modern automobile is a product of a free market in goods’. Following Friedman, other neoliberal thinkers increasingly celebrated the prosperity allegedly engendered by the free market, attempting to reframe historical economic progress as the inevitable product of the free market. Opitz (1966) claimed that ‘we do have an economic abundance that would astonish Adam Smith, but this merely confirms the free market economics that Smith expounded’, with Greaves (1973: 106) concurring that ‘free market policies have eliminated more poverty than any other policy or system that has ever been known to man’ (see also Friedman and Friedman 1980: 247). Finally, to reinforce the prosperity of the free market, neoliberal thinkers continued to not only credit all progress to the free market, but also to attribute all failure to the absence of the free market. As Friedman and Friedman (1980: 146) put it:

Wherever the free market has been permitted to operate, wherever anything approaching equality of opportunity has existed, the ordinary man has been able to attain levels of living never dreamed of before. Nowhere is the gap between rich and poor wider, nowhere are the rich richer and the poor poorer, than in those societies that do not permit the free market to operate.

In addition to freedom and order, the neoliberal discourse therefore also established economic prosperity as an object of desire uniquely created by the free market. The neoliberal attempts to locate the success of the free market in particular geographical and historical contexts inevitably created some tension, evident for example in the contrast between Friedman’s claims that the United States was an exemplar of capitalist progress, but also that creeping socialism had taken over the United States ever since the New Deal and was gradually destroying all economic progress. As neoliberal ideas became more prominent, and states adopted free market

policies, the neoliberal discourse required a persuasive fantasy that could account for its failure to ever fully achieve its promised objects of desire. The construction of the central neoliberal fantasy is traced in the next section.

4.2 The Free Market as Fantasy

The 1970s was a particularly important decade in charting the shifting economic discourse in the United Kingdom and United States. The decade began with US President Nixon declaring ‘we are all Keynesian’s now’, while for much of the 1970s the UK was governed by socialist Labour Prime Ministers Harold Wilson and James Callaghan. Yet the decade was also marked by significant economic crises, oil price hikes and stagflation, and was bookended by remarkable victories for neoliberal politicians and policies. In 1979 Margaret Thatcher was elected Prime Minister of the UK on an openly neoliberal platform of austerity and privatisation, while in 1980 Ronald Reagan won the US Presidential election, with Milton Friedman serving as his economic advisor. I argue that the role of fantasy is crucial in understanding how the neoliberal discourse was able to rapidly transition from dominated to dominant economic discourse in barely a decade. I demonstrate that the neoliberal fantasy constructed in the preceding decades was particularly astute at capitalising on the crisis conditions of the 1970s. I also highlight the effectiveness of the neoliberal fantasy in maintaining the hegemony of the neoliberal discourse. With neoliberal politicians leading both the UK and US governments by 1980, the neoliberal discourse could no longer defer the gratification of desire to a utopic future, but instead had to account for why its promises of freedom, order and prosperity had not eventuated. Accordingly, I highlight the manner in which the neoliberal fantasy was effective in justifying why the object of desire remained temporarily out of reach, illustrating, as Žižek (2008: 142) puts it, that ‘fantasy is a means for an ideology to take its own failure into account in advance’.

The following discussion builds on the approach to fantasy outlined in chapter 2.1. In chapter 2.1, I expounded the basic structure of fantasy, noting that a fantasy constructs an object of desire, typically located in a mythologised past, but which has been taken away by a transgressor. The fantasy claims that if only the transgressor can be removed, the object of desire can be restored to the desiring subject. Any evidence that the subject is moving closer to the object of desire thus appears as a validation of the fantasy, while any frustration of the subject can be blamed on the transgressor, implicitly still validating the fantasy. Below, I outline the fantasy narrative constructed by neoliberal thinkers, in which the free market functions as ideal object of desire, yet also as object that can never be fully possessed because of the persistence of the transgressive state. Accordingly, any perceived success in the field of the political and economic can be attributed to the free market, and any failures blamed on the interference of the remaining elements of the state. To illustrate the structure of the neoliberal fantasy, I divide the narrative into five distinctive claims, developed over time by neoliberal thinkers, that together form the central narrative of the neoliberal fantasy:

1. The free market is constructed as object of desire
2. The free market is historically located in the nineteenth century
3. The state is charged as transgressor responsible for destroying the free market
4. If only the state can be removed, the free market can be restored
5. The state is responsible for the ongoing failure to restore the free market

1. *The free market as object of desire*

The first step in the neoliberal fantasy was to construct the free market as the object of desire, a process I have largely outlined in the preceding sections. In chapter 3, I traced the emergence of the free market as the crucial concept in neoliberal thought in the 1930s, demonstrating how

the free market signifier was used to resolve the underlying liberal antinomy between freedom and order. In chapter 4.1, I expanded further on the affective dimensions of the free market in neoliberal thought, suggesting that the free market offered a three-fold *jouissance* of freedom, order and prosperity. However, as previously noted, the attempt to locate the success of the free market in a particular national context initially created some tension, evident in the contrast between Friedman's claims that the United States was both capitalist exemplar and failing socialist state. From a Lacanian perspective, the tension created by the difficulty of locating the free market *jouissance* is a structural problem, illustrating the manner in which the object of desire can be approached but never fully realised. Hence, as neoliberal ideas became more prominent, and states discursively adopted free market policies beginning in the 1980s, the neoliberal discourse required a more persuasive fantasy that could specifically locate the *jouissance* of the free market in a utopic past.

2. *The free market is located in the nineteenth century*

Initial attempts to locate the success of the free market historically were somewhat complicated by the previous neoliberal critique of laissez-faire. As I noted in chapter 3, a crucial theme in the early neoliberal discourse was the explicit recognition of the failure of economically liberal laissez-faire policies in the nineteenth century. Consequently, the neoliberal discourse at first struggled to locate its free market utopia in a particular historical epoch, instead having to project free market prosperity into a mythologised future. Yet beginning in the 1950s, neoliberal thinkers began to move away from their previous critique of laissez-faire, constructing alternative historiographies of the eighteenth and nineteenth century in which laissez-faire policies – increasingly taken to be synonymous with free market policies – were now held responsible for all economic and social progress made in the previous centuries.

Ludwig von Mises, one of the few early neoliberals who had not abandoned laissez-faire after the Great Depression, was also one of the first to begin the revisionist historiographies of economic freedom in the nineteenth century. Mises (1974 [1950]: 34) highlighted nineteenth century America as an example of the triumph of the free market, claiming that the United States ‘owes to a century of “rugged individualism” the highest standard of living ever attained by any nation’ (see also Pew 1950: 6). In 1954, Friedrich Hayek edited *Capitalism and the Historians*, a collection of essays which various members of the MPS had presented at the 1951 meeting. Together, the essays claimed that historians had created an unjust myth about the suffering created by early capitalism, and that in fact the eighteenth and nineteenth centuries were periods of unprecedented progress delivered by the principles of economic liberalism. As L.M. Hacker (1954: 66) put it, ‘the common charge of inhumanity against the nineteenth century – for that is the popular reading of laissez faire, is it not?– would be an idle slander if it were not so gross’. Hans Sennholz (1955: 63), one of Mises’ pupils, similarly concluded that the American settlers in the eighteenth and nineteenth century owed their prosperity to the fact that they ‘were disciples of the great English and French philosophers and economists who believed that the freedom of the individual shall be paramount’.

The narrative which located free market prosperity in the nineteenth century was also taken up by Milton Friedman. Although Friedman had previously argued against the ‘error’ of nineteenth century laissez-faire (see Friedman 1951), in *Capitalism and Freedom* he recast nineteenth century Britain and the United States as periods of dramatic prosperity created by the free market, claiming that:

the typical state of mankind is tyranny, servitude, and misery. The nineteenth century and early twentieth century in the Western world stand out as striking exceptions to the general trend of historical development. Political freedom in this instance clearly came

along with the free market and the development of capitalist institutions (Friedman 2002 [1962]: 9-10).

In his later work *Free To Choose*, Friedman was even more explicit in casting the nineteenth century as a mythologised utopia, claiming that ‘the combination of economic and political freedom produced a golden age in both Great Britain and the United States in the nineteenth century’ (Friedman and Friedman 1980: 3). Various other neoliberal thinkers followed Friedman in recasting the nineteenth century as a period of free market inspired prosperity. George Stigler (1964: 32) maintained that ‘the dominant era of the free marketplace was in the Nineteenth Century’. Similarly, Ayn Rand (1961: 66) claimed that ‘the nineteenth century was the ultimate product and expression of the intellectual trend of the Renaissance and the Age of Reason...for the first time in history, it created a new economic system, the necessary corollary of political freedom, a system of free trade on a free market: capitalism’.

In addition to defining all historical progress as the fruit of the free market, the neoliberal discourse also constructed all historical failings and inequalities as the result of the absence of the free market. Rand (1966: 48) demonstrated the basic formula of the neoliberal historiography of the free market when she claimed that ‘all the evils, abuses, and iniquities, popularly ascribed to businessmen and to capitalism, were not caused by an unregulated economy or by a free market, but by government intervention into the economy’. Various periods of history were accordingly reinterpreted to fit the new historiography. For example, given the positive valence generally associated with the Puritan Settlers in the American context, Gary North (1974) sought to recast the Puritans as the inventors of the free market. Similarly, Edmund Opitz (1984a) reconstructed the ‘robber barons’ of the Gilded Age, claiming that they were not the product of a laissez-faire era as had been traditionally held, but rather were the avowed enemies of the free market (see also Friedman 1976).

Neoliberal thinkers also sought to reconstruct historical economic crises, many of which had previously been attributed to policies of laissez-faire, as instead resulting from government intervention. Given the ubiquity of some form of government in the historical periods under review, it was always possible to find some governmental action that could be blamed for a historical crisis, absolving the free market or laissez-faire from any responsibility. Hence, Leonard Read (1954: 78) could claim that ‘aggressive intervention by government has a thorough historical record. Booms and busts cannot logically be blamed to the free market and limited government for the simple reason that no such arrangement has ever been more than approached. It has never been wholly practiced’, with Mises (1974 [1950]: 27) concurring that ‘the recurrence of periods of depression and mass unemployment has discredited capitalism in the opinion of injudicious people. Yet these events are not the outcome of the operation of the free market’.

Particular attention was focused on creating a revisionist historiography of the Great Depression. As noted in chapter 3, the Great Depression had widely been constructed as a crisis of laissez-faire capitalism, even by early neoliberal thinkers. In the post-war era, neoliberal economists reinterpreted the Great Depression in line with the historical fantasy, claiming that the crisis was caused not by laissez-faire, but rather by injurious government intervention. The most notable contribution was *A Monetary History of the United States* (1963) by Milton Friedman and Anna Schwartz, which claimed that the Great Depression was not the result of laissez-faire policies, but was largely caused by the inept response of the Federal Reserve to the outbreak of the Depression (see also Friedman and Schwartz 1965). Also published in 1963 was Murray Rothbard’s *America’s Great Depression*, which adopted a similar thesis to Schwartz and Friedman, while additionally suggesting that the inflationary policies of the Federal Reserve during the 1920s were responsible for the outbreak of the Great Depression. Over time the neoliberal account of the Great Depression was largely accepted, at least among

economists and politicians. Notably, in 2002 at an event celebrating Milton Friedman's 90th birthday, US Federal Reserve Governor and later Chair of the Federal Reserve Ben Bernanke told the crowd 'I would like to say to Milton and Anna: Regarding the Great Depression, you're right. We did it. We're very sorry'. Thus, from the 1950s onwards the neoliberal discourse reconstructed its economic historiography, suggesting that the nineteenth century had been an era of unprecedented progress delivered by the free market, which was finally brought to an end by the blundering and interfering actions of the incompetent state.

3. *The state is charged as transgressor responsible for destroying the free market*

Having established a mythologised past filled with free market inspired *jouissance*, the neoliberal fantasy required a transgressor, to act as the villain in the narrative about the loss of the free market. Before the Second World War, the mainstream neoliberal discourse had claimed that the failure of laissez-faire had led to the rise of the totalitarian state. In the post-war era, neoliberal thinkers subtly reversed the causation, instead claiming that the rise of the state had ended the brief flowering of laissez-faire, reorganising their historical narrative to more clearly construct the state as transgressor responsible for historical decline and contemporary injustice.

A representative example of the narrative structure and treatment of the state in the neoliberal fantasy can be found in Frank Chodorov's *The Rise and Fall of Society*. Chodorov (1959: 97) creates a narrative in which cooperation and exchange allowed human society to flourish, and to develop a market society characterised by freedom, order and prosperity. However, Chodorov's (1959: 97) historical paradise is destroyed by the rise of the state, which emerged as a hostile entity destined to destroy the harmony of the self-regulating society through violence and coercion:

The State, on the other hand, thrives on what it can exact of Society; its temples are built with taxes, its bureaucracy or enforcement agency grows in size and arrogance by the same means, and it is with taxes that the State buys the support of those who might otherwise turn against it. The more taxes the richer the State, the poorer the people; the more taxes the stronger the State, the weaker the people; the interests of the two institutions are diametrically in opposition.

Here the state is depicted as an external parasite placed in diametric opposition to society, demonstrating the manner in which the transgressor acts as the constitutive outside in the fantasy, demarking the boundaries and characteristics of the in-group – in this case, the free market society. For Chodorov (1959: xxiii), twentieth century statism represented a particular evil, as it threatened to destroy the prosperity and progress of the nineteenth century. Hence, he constructed the state not as an institution or even political doctrine, but rather as ‘a form of paganism, for it is worship of an idol, something made by man...but, whether one calls oneself a Communist, Socialist, New Dealer, or just plain “democrat”, one begins with the premise that the individual is of consequence only as a servant of the mass idol’. Here Chodorov deploys a chain of equivalence to discursively merge a variety of different groupings into the one identity, that of the transgressive state, which is held responsible for the loss of individual freedom.

Another example of the neoliberal construction of the state as transgressor is the work of Mises, which is notable for its particular vehemence towards the state. Mises (1998: 715) constructed the state as inextricably bound up with violence, evident in his claim that ‘the essential feature of government is the enforcement of its decrees by beating, killing, and imprisoning’. Mirroring Hayek’s *Road to Serfdom* thesis, Mises (1969: 75-6) also suggested that any movement towards the state would inevitably lead to socialism or fascism, as ‘it is one step only from such a [statist] mentality to the perfect totalitarianism of Stalin and Hitler’. Mises (1998: 676) constructed a binary between totalitarian socialism and the free market, using remarkably

strong language to claim that the choice between state socialism and capitalism was a choice between life and death:

A man who chooses between drinking a glass of milk and a glass of a solution of potassium cyanide does not choose between two beverages; he chooses between life and death. A society that chooses between capitalism and socialism does not choose between two social systems; it chooses between social cooperation and the disintegration of society. Socialism is not an alternative to capitalism; it is an alternative to any system under which men can live as human beings.

From the ordoliberal perspective, Wilhelm Röpke used similarly strong language to condemn the state, emphasising that the state was not only destructive of human freedom, but also of the prosperous order created by the free market. As Röpke (1960: 32) put it in *The Humane Economy*, ‘The state and the concentration of its power, exemplified in the predominance of the budget, have become a cancerous growth gnawing at the freedom and order of society and economy’.

In the neoliberal historical narrative about the loss of the free market, the transgressive state features as both an ‘outsider’ and ‘insider’. Regarding the construction of the state as outsider, communist states and the ‘evil empire’ of the Soviet Union were depicted as external threats endangering the democratic capitalist world. The neoliberal discourse argued that state intervention in communist countries not only oppressed their own people, but also generated international tension and conflict, threatening the peace and prosperity of the entire world. Mises constructed the Russian Revolution as ‘the bursting forth of the principle of unrestricted violence and oppression’ (Mises 1977 [1947]: 63), with Russia – ‘the land of murder and misery’ (Mises 1985a [1927]: 153) - presented as an archetypal example of how ‘interventionism generates economic nationalism, and economic nationalism generates bellicosity’ (Mises 1966: 832). Linking communist state intervention with fascist state

intervention, Friedman likewise claimed that the cause of conflict between nations was ‘the far-reaching intervention of the state into the economy in such collectivist states as Hitler's Germany, Mussolini's Italy, and Franco's Spain, and especially the communist countries, from Russia and its satellites to China’ (Friedman and Friedman 1980: 52-53). ‘Communism’, Friedman (2002 [1962]: 20) warned, ‘would destroy all our freedoms’, where ‘our’ is rendered as the democratic capitalist inside, menaced by the external communist state. In a contribution which constructed the communists as the irrational external other, Opitz (1984b) warned that ‘communism is a fanatical, crusading faith which activates millions behind the iron curtain; nothing of like intensity inspires the citizens of the so-called free nations’. That the threat to freedom was statist ideology, and not the actual Russians themselves, was affirmed by Mises (1977 [1947]: 50), who warned that ‘Not the Russian armies, but the communist ideologies threaten the West’.

In addition to the external threat posed by socialist states, the neoliberal historical narrative also focused attention on internal statist forces supposedly responsible for the historical decline of the free market. Various groups such as domestic social democrats, trade unionists, socialists and supporters of the welfare state were constructed as an internal statist threat, responsible for the historical loss of freedom and depicted as evidence of the transgressive outside entering and defiling the democratic capitalist inside. Friedman suggested that the decline of freedom in capitalist countries was caused by an internal change in the ‘current of opinion’, which transformed Britain and the United States from practitioners of *laissez-faire* to collectivist social democracies, with Friedman complaining that ‘by the standards of nineteenth century individualism, we are all of us collectivists in smaller or greater measure’. Similarly, Gary Becker (1974: 1) claimed that, ‘since the turn of the century, legislation in Western countries has expanded rapidly to reverse the brief dominance of *laissez faire* during the nineteenth century’ (see also Leoni 1991: 68; Greaves 1973: 95). In the US context, President Roosevelt’s

New Deal was portrayed as principally responsible for the decline of freedom and prosperity, evident in Mises (1974 [1951]: 136) claim that ‘the comparatively greater prosperity of the United States is an outcome of the fact that the New Deal did not come in 1900 or 1910, but only in 1933’ (see also Greaves 1973: 95). In a 1993 essay entitled ‘Why Government is the Problem’, Friedman (1993: 1-3) argued that all of America’s problems - including declining educational standards, lawlessness and crime, homelessness, the loss of family values, the high cost of housing, the lack of access to medical care, the weakness of the financial system and even highway congestion - were either caused or exacerbated by the expansion of the state.

The neoliberal construction of the state as an internal threat to freedom was particularly prominent during the McCarthy era, in which trade unionists, social democrats and ‘leftists’ were treated as subversive threats to the internal body of society (Savage 2012: 575), a theme that continued in neoliberal discourse even after the end of McCarthyism. In both the US and UK, particular attention was focused on the trade union movement as responsible for the rise of the state and decline of the free market. Clearly casting the union movement as transgressor, the neoliberal discourse condemned ‘the force and violence that are endemic to unions’ (Rockwell Jr, 1988: 189), claiming that ‘our means of mass communication reflect the interventionist ideas of their unionized employees, who are legally privileged to block the employment of those committed to free market ideas’ (Greaves 1973: xx). In the second quote, Greaves is railing against the special privileges the union movement appears to be enjoying, casting the union movement as transgressor stealing the *jouissance* that can be recovered by a return to the free market.

Other contributions, such as Sylvester Petro’s *Power Unlimited: The Corruption of Union Leadership* (1960) and Morgan Reynolds’ *Power and Privilege: Labor Unions in America* (1984) claimed that unions were inherently corrupt, and were using violence and coercion to claim special privileges at the expense of the rest of the population (see also Petro 1957; Carson

1980). As Friedman (2002 [1962]: 124) put it, ‘because of unions something like 10 to 15 per cent of the working population has had its wage rates raised by something like 10 to 15 per cent. This means that something like 85 or 90 per cent of the working population has had its wage rates reduced by some 4 per cent’. Reynolds (1984: 11) also criticised unions for ‘their exclusion of minorities and women from high-paying jobs, their role in reducing wages of non-union workers, and their leaders’ frequent disregard for even their own members’ interests’. Trade unions were also held responsible for the economic crises of the 1970s, with Hayek writing in a letter to *The Times* in London that ‘there can indeed be little doubt to the detached observer that the privileges then granted to trade unions have become the chief source of Britain’s economic decline’ (Hayek 1977b). The power of the trade union movement would become a target of the Thatcher and Reagan governments in the 1980s, with both administrations using both legislative and extra-judicial means to curb the influence of trade unions (Harvey 2005; Cronin 2014: 92-120). Thus, building on the construction of the totalitarian state in the early neoliberal discourse, the post-war neoliberal thinkers constructed the state as both an external and internal transgressor, which had intervened to destroy the historical *jouissance* of freedom, order and prosperity born of the free market.

4. *Remove the state, restore the free market*

As with any convincing fantasy, the neoliberal fantasy not only lamented the historic loss of the free market, but also promised the means to restore the *jouissance* stolen by the state. Having charged the state as responsible for the loss of the free market, the simple neoliberal solution was the removal of the state, which would allow the restoration of the free market. As F.A. Harper (1979 [1947]: 3) put it, ‘most of the world’s economic aches and pains are merely surface symptoms for lack of freedom in the market’. Neoliberal policy prescriptions focused primarily on reducing the size and power of the state. Friedman suggested that the state should

only need to spend ten percent of national income to accomplish its necessary roles, and that any expenditure above this level was harmful and needed to be eliminated (Friedman 1978: 13). Social welfare expenditure was particularly targeted for reduction in neoliberal arguments, with different neoliberals arguing for either the curtailment or complete elimination of government expenditure on pension programs (Friedman & Friedman 1980: 123-4; Becker 1997; Friedman 2002: 182-89), public housing (Stigler 1970: 3; Friedman 2002: 178-80), health (Friedman & Friedman 1980: 112-5), education (Friedman & Friedman, 1980: 85-107) and unemployment benefits (Becker 2010). The neoliberal discourse also advocated ending government expenditure and policies directed at the promotion of industry, with Becker (1985) arguing that ‘the best industrial policy is no policy at all’.

As a corollary to reducing government expenditure, the neoliberal discourse also supported the reduction of taxation revenue, which would reduce state interference by allowing individuals to retain more of their income and spend it as they saw fit. Friedman (1978: 12) expressed the neoliberal aversion to government coercion in the form of taxation when he claimed that ‘I am in favour of cutting taxes under any circumstances, for whatever excuse, for whatever reason’. Further measures offered by neoliberal thinkers to remove the interference of the state included deregulation and privatisation, with various neoliberal thinkers calling for the removal of the minimum wage (Stigler 1946; Friedman 2002: 35, 180- 1), the abolition of licensing of occupations (Friedman 2002: 137-60) and the privatisation of government owned industries, which they argued would leave market forces free to determine which goods and services would be produced, and at what price (Friedman 1955; Becker 1997).

5. *The state is responsible for the ongoing failure to restore the free market*

The final claim of the neoliberal fantasy narrative is the most crucial, because it allows the fantasy to continue to structure social reality in spite of the inevitable failure of the Real to obey the dictates of the symbolic. For the neoliberal fantasy, confronted with the inability of neoliberal leaders to permanently deliver their promises of freedom, order and prosperity, the key discursive move was to hold the original transgressor, the state, responsible for the failures of the free market. Given that some form of the state would always exist – a necessity recognised even by neoliberal thinkers themselves – the neoliberal fantasy could claim that any signs of progress were the result of the gradual return of the free market, while any regression could be blamed on the remaining elements of the state. As Rothbard (1951: 183) put it in a particularly telling construction of the free market:

Merely to survive, regardless of the level of existence, does not require more than the rudiments of the free market, more than a little white in the grey picture. Whatever economic success other systems have had was due to those elements of the market that were permitted to exist.

Herein lies the resilience of the neoliberal fantasy; by determining success as an *a priori* consequence of moving towards the free market, and failure as a result of not implementing sufficient free market policies, the free market fantasy can essentially explain any outcome. This dynamic of the neoliberal fantasy was nicely captured by Foucault (2008: 116), who noted that for neoliberals:

the defects and destructive effects traditionally attributed to the market economy should instead be attributed to the state and its intrinsic defects and specific rationality...Nothing proves that the market economy is intrinsically defective since

everything attributed to it as a defect and as the effect of its defectiveness should really be attributed to the state.

The free market therefore functions as *objet petit a* in the neoliberal fantasy. The perfect free market can be approached, but never entirely attained, allowing any failures to be attributed to the remaining interference of the state in the free market. As Percy Greaves (1956: 302) put it, ‘a perfect free market society is probably unattainable by fallible men. Nevertheless it should ever be the goal’. For Benjamin Rogge (1979: 40), the free market was ‘the ideal we should strive for and should be disappointed in never fully attaining’, while for Friedman, free market ‘competition is an ideal type, like a Euclidean line of point’ (see also Greaves 1973: 60; Buchanan 1986, 2000: 10, 17 for more examples of the construction of free market as unattainable object of desire).

The cohesiveness of the neoliberal fantasy and its immunity towards attempted falsification is evident in Friedman’s account of the first term of the Reagan presidency. For Friedman, who served as an economic advisor to Reagan, Reagan’s election created ‘great hope in 1980, hope that we really were going to be successful in cutting down the size of government and making for a lesser degree of interference in our lives’ (Friedman 1983: 1). With an openly neoliberal President advised by the leading neoliberal economic thinker, the neoliberal discourse appeared ascendant, and would have to finally deliver its promises of freedom, order and prosperity. However, after some minor policy reforms – removing price ceilings on oil and gas, and reducing the highest marginal rates of income tax – it became clear to Friedman that Reagan was not delivering the neoliberal utopia so gloriously foreshadowed. Rather, ‘taxes as a percentage of national income has stayed roughly the same or slightly increased. And of more importance yet, total government spending as a fraction of income has continued the upward march that has characterized it ever since the New Deal in the 1930s’ (Friedman 1983: 2). Yet instead of blaming Reagan for the failure, or the neoliberal principles that guided his

government, the obvious solution according to the neoliberal fantasy was to blame the original transgressor – the state. Hence, in *The Tyranny of the Status Quo* (1984), Milton and Rose Friedman argued that the free market policies of Reagan had been frustrated by the intransigence of the state. Friedman and Friedman claimed that the free market was being resisted by an ‘iron triangle’ of special state interests, which consisted of bureaucrats keen to maintain their positions, politicians needing to buy votes, and the direct beneficiaries of each interventionist policy. Of course, the apparent durability of the state did not prevent Friedman from still claiming any progress made under Reagan as the fruits of the free market. Yet the cohesiveness of the fantasy allowed the neoliberal discourse to displace the inevitable failure to achieve the utopia of the free market onto the state itself, meaning the anger for the failure was directed not at the free market, but rather in intensified form back at the transgressive state.

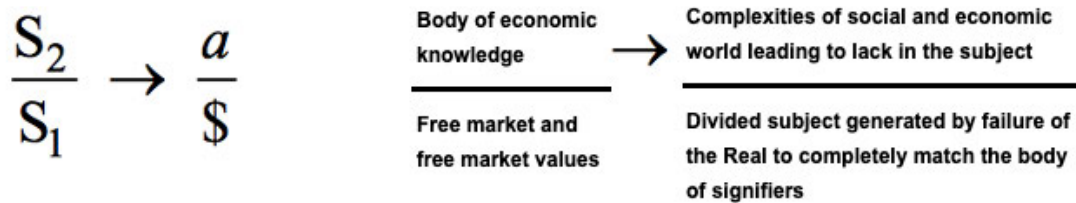
4.3 The Free Market as University Discourse

In addition to the master discourse and fantasy constructed around the free market, neoliberal thinkers also created a form of free market advocacy in the post-war era that was structured according to the model of the university discourse. Largely taking place within the discipline of economics, neoliberal thinkers sought to present their ideas as scientific common-sense, devoid of ideological or normative content. According to Mark Fisher (2009: 16), ‘an ideological position can never be really successful until it is naturalized, and it cannot be naturalized while it is still thought of as a value rather than a fact’. In this section, I trace the construction of the university discourse that attempted to construct neoliberal value positions as incontestable economic facts. I also highlight that the university discourse was principally created by Chicago school economists, with Austrian school neoliberals often demonstrating significant hostility towards the university discourse on both epistemological and ethical grounds.

Recalling the formula of the university discourse from chapter two, figure 4.2 illustrates the structure of the neoliberal university discourse that emerged beginning in the 1950s.

Figure 4.2 The Neoliberal University Discourse

University Discourse



The university discourse places the body of economic knowledge in the position of agent, presenting the discourse as an empirical and scientific body of knowledge. From the position of agency, the body of knowledge hails the lack in the speaking subject, claiming that economic knowledge can overcome the constitutive lack represented by *objet petit a*. Despite the attempts of the body of knowledge to fully represent the Real, the discourse inevitably fails to capture the entirety of the Real for the structural reasons discussed in chapter 2. Accordingly, the product of the university discourse is a divided subject, divided between the supposedly objective, totalising knowledge of the discourse and the vagaries of the Real that evade the discursive interpellation. Finally, in the position of truth is the free market master signifier, indicating that despite the discourse attempting to conceal its value positions and to present economic knowledge as objective and neutral, the discourse is nevertheless underpinned by the particular values inherent in the free market master signifier. Hence, although the free market master signifier features far less prominently in the university discourse, the free market continues to inform and constrain the body of neoliberal knowledge constructed within the economics discipline.

The Mathematisation of Economics

The initial turn towards mathematics in the economics discipline occurred immediately after the Second World War. The key work in beginning the process of reformulating economics according to scientific methods was Paul Samuelson's *Foundations of Economics Analysis*, published in 1947. Although Samuelson's work was far more Keynesian than neoliberal, his methodological adoption of positivistic and mathematical methods in the economics discipline would prove highly influential within the neoliberal discourse. Samuelson sought to demonstrate that the economy was governed by mathematical laws and regularities that could be discovered, measured and understood. In particular, Samuelson argued that economic agents always acted to maximise their utility, and that economics could proceed as a science on the basis of this axiom.

Samuelson's methodology was largely adopted by the neoliberal thinkers at the University of Chicago, who sought to develop a conception of economics as 'the science of the free market' (Pew 1950: 7). The most important contribution in the development of the neoliberal university discourse was Milton Friedman's *Essays in Positive Economics*, published in 1953. Friedman established a strong binary distinction between 'normative' economics, which adjudicated between the different ends a society should pursue, and 'positive' economics, which empirically determined the outcomes of different economic policies. In a discursive move that would strongly characterise the neoliberal university discourse, Friedman (1953: 5) claimed that both supporters and opponents of the free market shared the same ends – a free and prosperous society – but differed only in their economic understanding of how to achieve their goal:

I venture the judgement, however, that currently in the Western world, and especially in the United States, differences about economic policy among disinterested citizens derive predominantly from different predications about the economic consequences of

taking action – differences that in principle can be eliminated by the progress of positive economics – rather than from fundamental differences in basic values, differences about which men can ultimately only fight.

Accordingly, Friedman claimed that his policy preferences were derived not from normative value judgements, which could be interrogated and rejected by a democratic citizenry, but rather were objective and value-neutral conclusions derived from empirical evidence and scientific experimentation. Friedman was responsible for establishing a strongly positivist method within the Chicago school of economics, which allowed neoliberal thinkers to posture as detached and rational (overwhelmingly) men of science. Conversely, from their position of considered empiricism, neoliberals could construct their opponents as hopeless idealists who failed to understand that their interventionist actions would only harm the people they wished to help. For example, responding to a critical essay in the Wall Street Journal by Alexander Cockburn which claimed that ‘Mr. Friedman speaks unequivocally on behalf of the capitalist class and for that class’, Friedman defended himself by posturing as a detached, impartial scientist:

The function of scholarship is to try to find out what’s true, what works, and fundamentally the kind of scholarship I have done in my opinion has no ideological quality whatsoever. Nobody who has ever looked at my work is going to accuse me of being a hired minion of the capitalist class. (Friedman, cited in Peterson 1986; see also Friedman’s Nobel Prize acceptance speech, which located his work within the university discourse)

The work of Gary Becker is another prominent example of both the positivist method and the university discourse within neoliberal thought. Becker’s work is famous for applying economic methods and presumptions to contexts not traditionally considered to be economic, such as his work on the economics of crime, marriage, the family and education (see for instance Becker

1973, 1974, 1993). Building on the claim that individual actors always sought to maximise their utility, Becker claimed that the actions of an individual in committing a crime, choosing a marriage partner or educating their children were also guided by economic considerations of utility. The underlying presumption that actors always act rationally to advance their interests, and that a free market maximises the opportunities of individuals to pursue their interests, is taken as axiomatic by Becker, illustrating the manner in which the university discourse conceals the value presumptions underpinning its claims. Becker's work is also densely mathematical, with his conclusions justified by pages of complex algebraic calculations. Typically located below the calculations in footnotes are the *ceteris paribus* presumptions that allow Becker to reach his conclusion, topographically demonstrating the structure of the university discourse. By relegating the value claims to footnotes, Becker's work appears as objective and mathematical, concealing the work of the free market master signifier in laying the groundwork for his conclusions. In reaching conclusions that supported policies of privatisation or welfare state retrenchment, Becker could posture as an objective scientist, guided not by free market values but by universal mathematical conclusions.

Another example that illustrates the dynamics of the university discourse is the work of James Buchanan. In *The Calculus of Consent* (1999 [1962]), co-authored with Gordon Tullock, Buchanan applied the presumption of rational agents pursuing their interests to the institution of the state, claiming that rather than acting in the public interest, state behaviour was motivated by the individual actors that made up the state pursuing their own interests (see also Buchanan 1967, 1968; Stigler 1982). In contrast to the master discourse, which treated the state as the embodiment of all evil and a transgressive actor in its own right, Tullock and Buchanan constructed the state as the aggregator of a series of individual decisions made by self-interested bureaucrats and politicians. Having adopted the implicit presumption that individual actors always pursued their own interests, Tullock and Buchanan concluded that state

intervention always favoured the selfish interests of politicians and bureaucrats, at the expense of the rest of the population. By shielding their value judgements about individual rationality and free market maximisation from scrutiny, Tullock and Buchanan could present their conclusions as non-partisan common sense.

Buchanan's later work would also replicate the key structural features of the university discourse first enumerated by Friedman. For instance, in *The Power to Tax* (1980) Buchanan and Geoffrey Brennan explicitly adopted Friedman's distinction between normative and positive economics, claiming that:

Our concern is neither with telling governments how they should behave if revenues are to be raised efficiently and/or equitably nor with telling them how public monies should be spent. At this level of discourse, our analysis is necessarily more positive. We introduce models of how governments do behave or how they may be predicted to behave (Brennan and Buchanan 1980: 3).

In apparently refusing to offer opinions on how government should behave, Buchanan and Brennan position their work as a neutral and objective endeavour, concerned merely with using empirical evidence and the scientific method to determine the consequences of different government policies. However, the most important work in this particular discourse is performed by the absent free market master signifier, which, although not explicitly mentioned, continues to inform the methodology that underpins the authors conclusions. Brennan and Buchanan's models presume that individuals act as rational utility maximisers, and that free markets provide the best means by which individuals can pursue their ends. Given these presumptions, Brennan and Buchanan inevitably reach conclusions that favour a constitution that drastically limits the power of government to raise revenue through taxation. Yet rather than presenting the conclusion as the normative result of an ideological preference for the free market, it is instead presented as the rational conclusion of detached empiricists. Thus, the

value-neutral posturing of the university discourse contributed to neoliberal ideas becoming dominant across most of the economics discipline, thereby also establishing a hegemonic influence in discussions of economic policy.

The Austrian rejection of the University Discourse

Before concluding on the university discourse, it is important to note that the Austrian school of neoliberal thought largely rejected the mode of the university discourse. A few Austrian neoliberal thinkers did adopt some of the recurrent tropes of the university discourse, such as the assertion of shared goals and the posturing as objective scientists. For example, in *Socialism* Mises suggested that the supporters of capitalism were detached rationalists in contrast to the emotive and primitive supporters of socialism:

Liberalism and capitalism address themselves to the cool, well-balanced mind. They proceed by strict logic, eliminating any appeal to the emotions. Socialism, on the contrary, works on the emotions, tries to violate logical considerations by rousing a sense of personal interest and to stifle the voice of reason by awakening primitive instincts (Mises 1979: 460; see also Opitz 1968; Greaves 1973: 4).

However, rhetorical tropes aside, most Austrian neoliberals spurned the university mode of discourse on methodological grounds. Following the lead of Mises, the Austrian neoliberals rejected the use of positivist methods and empirical testing. Hayek (2011: 181) encapsulated the Austrian critique of ‘positive economics’ when he argued that:

The political philosopher cannot discharge his task if he confines himself to questions of fact and is afraid of deciding between conflicting values. He cannot allow himself to be limited by the positivism of the scientist, which confines his functions to showing

what is the case and forbids any discussion of what ought to be. If he does so, he will have to stop long before he has performed his most important function.

Further, the Austrian neoliberals claimed that the positivist approach could not yield valid conclusions because every historical event was unique, the result of multiple complex causes, and accordingly, for the Austrians, ‘historical events cannot be used either to test or to construct laws of history’ (Rothbard 2011: 74). Instead, the Austrians adopted Mises’ praxeological method, which privileged the rational deduction of universal principles (see Mises 1960, 1998; Rothbard 2011: 29-102). While the Chicago university discourse sought to prove the efficacy of the free market through empirical measurement, the Austrians claimed that the principle of the free market could be deduced *a priori* through rational argumentation. Hence, the Austrians both foregrounded the free market master signifier more explicitly within their discourse, and openly rejected the possibility of falsifying the free market through empirical testing. According to Rothbard (2011: 61), once a principle such as the free market is deduced through praxeological logic, ‘these conclusions cannot be “tested” by historical or statistical means, [and] there is no need to test them since their truth has already been established’.

Though ordoliberal thinkers did not spend as much time on methodological problems, they also generally rejected positivism and therefore the university discursive mode. A critique of legal positivism was a central theme of the early ordoliberal Freiburg circle, with thinkers such as Eucken and Böhm criticising the positivist view that order is produced by legal instruments and is independent of social values (see Johnson 1989: 50; Tumlrir 1989: 127-32). The failings of positivism were also a concern for Röpke and Rüstow, who argued that the positivism of social scientists had created a moral vacuum which had allowed totalitarian statist ideologies to prosper (see Röpke and Rüstow 1941; Röpke 1960: 69-70; see also Christ 2019: 35). Ordoliberal thinkers therefore reached conclusions in line with Hayek’s above quote demanding that economists and political thinkers directly address questions of value.

The distinction between Chicago and Austrian neoliberal thinkers is illustrated by a conflict between Milton Friedman and Ayn Rand regarding the correct discursive style of free market advocacy. In 1946 Friedman and Stigler published a short policy pamphlet on the problem of rent control. Utilising the university mode of discourse, Friedman and Stigler (1946: 22) argued that ‘our objectives are the same as yours: the most equitable possible distribution of the available supply of housing and the speediest possible resumption of new construction’. The authors proceeded to argue that on the basis of empirical evidence, rent control actually reduced access to housing, and that the best solution for everyone was to allow the free market to allocate housing resources. In a critique of the pamphlet, Rand (cited in Snow 2011) called it ‘the most dreadful thing ever put out by a conservative organization’, describing Friedman and Stigler as ‘two reds’. The essence of Rand’s critique was that the pamphlet did not begin from the premise that individual freedom must always be prioritised over government intervention. Rather, Rand claimed that Friedman and Stigler’s positivist method conceded that, if it could be proven that government intervention is more efficient, government intervention should be permitted. Writing from within the confines of the master discourse, Rand could not accept even the possibility that the free market should be interrogated to determine its efficacy. In contrast to the university discourse, the master discourse starts from the explicit premise that the free market is always preferable to any alternative, and therefore is not amenable to empirical examination.

The Austrian rejection of the possibility of a university discourse is important to note in the context of the Global Financial Crisis. For proponents of a university discourse, a crisis presents the opportunity for considered empirical examination, from a supposedly value-neutral perspective, to determine the efficacy of the free market, and whether any reform was warranted. In contrast, the Austrian perspective rejects *a priori* both the possibility that the free market could ever be at fault, and that a particular historical event could be used to test

competing economic theories. As will become apparent in the following chapters, the distinction here between the master discourse and the university discourse played an important role in shaping the discursive construction of the GFC. However, it is also important to note that the neoliberal master and university discourses do overlap significantly. Figures such as Milton Friedman were able to transition easily between the two forms of free market advocacy, often depending on the particular audience he was addressing. Thus, the university discourse developed principally to support and reinforce the master discourse surrounding the free market. Crucially, the university discourse allowed neoliberal thought to colonise most of the economics discipline, and to dominate discussions of economic policy, strongly contributing to the hegemony of the neoliberal discourse established in the 1980s.

4.4 The Free Market Ascendant?

By the end of the 1980s, a dramatic and profound change in economic discourse had clearly occurred. Although most prominent in the United Kingdom and United States, the free market discourse was also increasingly dominating both economic policy and political discourse across many different national contexts (see Pollin and Cockburn 1991). Free market policies were also adopted by the centre-left parties in the United Kingdom and the United States, with UK Labour Prime Minister Tony Blair and US Democrat President Bill Clinton's so-called 'Third Way' approach largely accepting the necessity of neoliberal economic policies (Harvey 2005: 93; Jones 2018). For instance, the New Orleans Declaration of 1990, authored by the Democratic Leadership Council of which Clinton was a leading member, marked a clear acceptance of key tenants of neoliberal ideology, claiming that 'We believe that economic growth is the prerequisite to expanding opportunity for everyone. The free market, regulated in the public interest, is the best engine of general prosperity'. Remarkably even Michael

Gorbachev and the Soviet Union joined the ranks of free market converts, with Gorbachev (1990) telling the Soviet legislature in 1990 that:

The old administrative system of management is being destroyed, but new incentives for work under free-market conditions have not been created yet... The choice has been made. There is no alternative to the transition to the market. The whole world experience proved the vitality and efficiency of the market economy.

The leader of the Soviet Union openly adopting the Thatcherite slogan that there was no alternative to the free market aptly illustrates the remarkable hegemony established by the free market discourse in the 1990s.

In the contested field of the political, a particular discourse is never entirely dominant. Even as Francis Fukuyama (1992) declared the end of history and the conclusive victory of liberalism, subterranean movements and discourses continued to resist neoliberal hegemony. Most notably, the 1990s witnessed the growth of the anti-globalisation movement, culminating in the 'Battle of Seattle' protests against the World Trade Organisation in 1999 (Graeber 2009: xiii-xvii). Crucially though, even the opponents of neoliberal globalisation were forced to adopt the language of the neoliberal discourse, critiquing the role of the WTO and other international institutions in facilitating the global spread of capitalism and free markets. Similarly, in the academic world, though many authors continued to critique the neoliberal construction of the political, neoliberal constructions of the state and the free market remained hegemonic, used by both neoliberal proponents and opponents. The economics discipline was particularly notable for the adoption of neoliberal presumptions even by those attempting to critique the neoliberal mainstream.

Writing forty years after the initial publication of *Capitalism and Freedom*, Milton Friedman concluded in 2002 that the world had witnessed 'a dramatic shift in the climate of opinion',

and that ‘the pressure today is toward giving markets a greater role and government a smaller one’ (Friedman 2002: vii-viii). Friedman was still quick to qualify that the free market utopia had not yet fully arrived, and that stubbornly high government expenditure pointed to the persistence of a ‘stagnant socialism’ that could be blamed for any remaining economic or political malformations. Yet the outpouring of admiration from global political and economic leaders that greeted Friedman’s death in 2006 highlights inescapably the hegemony of the ideas he had advocated throughout his life. Not only was Friedman’s successful free market advocacy eulogised by sympathetic figures such as President Bush (2006) and Chair of the Federal Reserve Ben Bernanke (comments in Noble 2006), even his ideological opponents such as the leading American neo-Keynesian Paul Samuelson (comments in Ip and Whitehouse 2006) admitted that ‘no one in the 20th century has had the ideological influence that Milton Friedman has had in moving the economic profession from Great Depression-era do-goodism towards a friendliness toward, and appreciation of, the free market’.

Part II – The Free Market in Crisis

Part II – Introduction

In part I, I traced the long historical process by which neoliberalism transitioned from a subterranean, dominated discourse into the hegemonic construction of the economic. I suggested that the pre-crisis dominance of neoliberal constructions of the economic was the culmination of the long and steady process of neoliberal ascendancy, and that the early and mid-2000s was the apogee of neoliberal hegemony. In part II, I turn to the Global Financial Crisis, the most historically significant challenge to neoliberal hegemony. As I noted in the introduction, the onset of the GFC was widely interpreted as a moment of paradigmatic change. Prior to the crisis, Wall Street and the American banking system were viewed as exemplars of deregulated free market capitalism, and hence the repeated failures on Wall Street appeared to many observers to mark the end of the decades-long neoliberal consensus (see for instance Wallerstein 2008; Wade 2008). In global policy discourses responding to the crisis, neoliberal presumptions such as monetarism and the efficient market hypothesis were widely contested, most evident in the resurgence not only of Keynesian, but also Marxist political economy (see for instance Skidelsky 2009; Žižek 2009). In short, the spectacular failure of the previously hallowed pillars of the neoliberal order seemed all but certain to mark the end of neoliberalism. We now know that the obituaries for neoliberalism proved premature, as with remarkable durability neoliberal ideas returned to the ascendancy. Policies of fiscal stimulus and nationalisation lasted barely twelve months before they were replaced by austerity and renewed rounds of privatisation (Crouch 2011; Peck *et al.* 2012), while the demands for re-regulation of financial markets failed to achieve any significant reform (Helleiner 2014). The following three chapters trace the process by which the attempts to challenge the hegemony of neoliberal ideas during the crisis were nullified and ultimately reintegrated back into the neoliberal status quo. The key point I draw out repeatedly is that the process of transcribing the free market into social reality through signification during the crisis was the shared undertaking of both

supporters and opponents of neoliberal ideology. Crucially, even critical discourse calling for the abolition of the free market during the crisis nevertheless maintained that the global economy was dominated by something called the free market. Critical accounts therefore continued to construct a reality dominated by the binary pairing of the free market and the state, accepting the existence of the free market, and its antagonism with the state. Critical discourses thus remained firmly within the remit of a neoliberal social ontology, an ontology that radically limited their ability to offer an alternative to the hegemonic neoliberal discourse.

To illustrate the emergence and ultimate marginalisation of the challenge to the dominant neoliberal discourse, the following chapters document five key narratives that together constituted the crisis. The five key narratives, and their articulation according to the logic of the master, university or hysteric discourse, are contained in figure 5.1.

Figure 5.1 The Five Narratives of the Global Financial Crisis

Narrative	Valence of free market	Was system free market prior to the crisis?	Was free market the cause of the crisis	Other causes of crisis	Solution	Discursive form
1. Status Quo	Positive	Yes	No	No crisis/isolated actions of bankers	Leave the free market to complete the correction	Master
2. Free Market Failure	Negative	Yes	Yes	Deregulation, bankers, neoliberalism	Return of the state	Hysteric
3. True Free Market	Positive	No	No	State regulators, excessive deregulation	'Light touch' regulation and return of 'true' free market	Master
4. University discourse	Neutral	Mixed	Partially	State regulators, natural	Pragmatic emergency measures,	University

				cycles of the economy	then return of the free market, minor reforms	
5. Return of the Free Market/ Austerity	Positive	No	No	State, housing policy, monetary policy	Austerity, state retrenchment, deregulation	Master

The first narrative, which was most evident during the onset of the crisis, sought to deny that the turbulence in financial markets constituted a crisis, claiming that it was merely a minor adjustment, best left to the free market to handle. The first narrative remained firmly within the confines of the master discourse, denying the possibility of a crisis whilst the economy remained under the stewardship of the free market master. When the crisis intensified in mid-2008, a second narrative emerged, claiming that the crisis constituted a historic failing of the free market system, and that only the return of the state could save the global economy from catastrophe. By clearly blaming the free market while remaining within the neoliberal ontological confines of the free market and the state, the second narrative took the structure of the discourse of the hysteric. A third narrative, which became prominent in late 2008, claimed that the crisis was created when governments departed from the ‘true’ principles of the free market by engaging in excessive deregulation and encouraging corporate greed, and hence the crisis necessitated a return to the ‘true’ principle of a well-regulated and stable free market. The third narrative also took the form of the master discourse, demanding the return of the free market master to save the economy, and was most evident in the discourse of President Obama. The fourth narrative, which emerged after the onset of the crisis, took the form of the university discourse, recognising that the free market had created problems, but nevertheless concluding that on the basis of historical evidence and the lack of alternatives, the free market was still the

best system. By interrogating the free market in light of the evidence of the crisis, and in recognising limited failings in the free market, the fourth narrative engaged with the crisis in a manner not possible from within the confines of the master discourse. The university discourse could also sanction state actions contrary to the free market, such as the bailout of financial institutions, claiming that the severity of the crisis made the bailouts a pragmatic and necessary response to unprecedented conditions. After sanctioning the temporary departure, the university discourse proceeded to argue from a position of supposed scientific objectivity that despite the crisis, the evidence still supported a return to the free market. I argue that the university mode of discourse played a crucial role in maintaining neoliberalism at the height of the crisis, when the master discourse was struggling to account for its obvious failings.

The fifth narrative emerged most clearly in the aftermath of the crisis, and claimed that contrary to the previous interpretations, the cause of the crisis was actually the state. Returning to the form of the master discourse, this narrative claimed that various government policies ranging from low interest rates, fiscal profligacy and housing policy were responsible for the crisis, and that the solution was to return to the free market. Taking the form of a master discourse, this narrative argued either that the true free market had never existed, and therefore could not be blamed for the crisis, or that the great achievements of the free market had been undone by the ham-fisted intervention of the state. This narrative was most prominent in the aftermath of the crisis, and helped to institute the turn towards austerity policies, and the general return of neoliberalism.

To provide evidence of the chronology and topography of the five narratives of the crisis, I rely on a corpus of texts comprised of newspaper articles, political speeches, G20 documents and thinktank output. With the exception of the G20 documents, which include contributions from around the world, I focus predominantly on political discourse in the United Kingdom and United States. The full details of my corpus, including the different newspaper articles selected,

the political leader's speeches, the thinktank output and the various G20 documents are contained in appendix 1.

Chapter 5 Onset – Discourse of the Hysteric

In this chapter, I examine the two main narratives that responded to the crash on Wall Street, and therefore shaped the onset of the Global Financial Crisis. Because the crisis challenged the intellectual edifice around which so much of contemporary politics was structured, the first narrative to emerge was a status quo narrative of denial. Proponents of the ‘status quo’ narrative, such as George Bush and the neoliberal thinktanks, claimed that the instability in financial markets was merely an expected feature of the market economy, and did not constitute a crisis. As the scale of the financial downturn intensified, proponents of the status quo narrative began to argue that cycles of boom and bust were unavoidable, and to the extent that an adjustment in prices was needed, the free market was the best institution for managing the downturn. This narrative warned against any government actions to intervene in the market in response to the crisis, claiming that intervention would create moral hazard, and only delay the free market from delivering the necessary adjustment. By either maintaining that there was no crisis, or that any crisis was best handled by the free market, the status quo narrative remained firmly within the confines of the neoliberal master discourse.

Competing with the status quo account was a second narrative which constructed the crisis as a failure of the free market. According to the ‘free market crisis’ narrative, neoliberal policies of deregulation and marketisation were principally responsible, with proponents of this narrative highlighting that the crisis originated in Wall Street investment banks, the archetypes of neoliberal capitalism. While Wall Street was held particularly responsible, the ‘free market crisis’ narrative also expanded into a broader denouncement of the free market principles that had governed economic policy since the Thatcher and Reagan governments, claiming that the GFC was the inevitable outcome of thirty years of neoliberalism. Having determined that the free market was responsible for the crisis, the narrative called for the return of the state, claiming that only the guiding hand of government could resolve the deep crisis of the market.

After offering a brief overview of neoliberal hegemony immediately prior to the GFC, I compare the two main narratives of the outbreak of crisis, drawing out the similarities and antagonisms in their respective attempts to narrate the crisis. I suggest that the Washington 2008 G20 World Leader's Summit was a key site of discursive contest between the two narratives, and that the Summit Declaration supports my argument that the 'free market crisis' narrative became the dominant construction of the onset of crisis. While the status quo narrative could account for minor turbulence in financial markets, the bankruptcy of major Wall Street banks and the attendant risk to destroy the entire financial system chronically undermined the attempts of the master discourse to present the free market as the solution to the crisis. With Wall Street previously constructed as the archetypal site for the operation of the free market, the master discourse could not account for its sudden failure.

However, my corpus also demonstrates that implicit neoliberal presumptions remained deeply embedded in the free market crisis narrative. Despite its critique of the free market, the narrative still maintained that prior to the crisis, the global economy had been dominated by something called the free market. By highlighting the failure of the free market system to live up to its promises of high economic growth and financial stability, proponents of the narrative implicitly accepted these neoliberal metrics for measuring economic success. The free market crisis narrative therefore remained squarely within the confines of neoliberal social ontology, taking the form of a discourse of the hysteric. Despite the repeated denunciations of the free market by figures such as Gordon Brown and Paul Krugman, in demanding the return of the state, proponents could offer little beyond proposals for bank bailouts and temporary fiscal stimulus. While these proposals challenged the purer forms of neoliberalism, they failed to significantly depart from the broader body of neoliberal thought, constructing a world in which the state stepped in to temporarily support the free market. Thus, even during the onset of the crisis, when the neoliberal discourse appeared the most vulnerable, by constituting the form of

a discourse of the hysteric, the main competing narrative of the crisis failed to meaningfully depart from neoliberal hegemony.

5.1 Prelude

The prelude to the crisis in both the United Kingdom and the United States was an era of neoliberal discursive hegemony. Leaders in both countries – Gordon Brown in the UK, and George Bush in the US – as well as the figures vying to replace them – David Cameron in the UK, and the various Republican and Democratic candidates for President in the US – were clearly proponents of neoliberal policies. Crucially, not only had both administrations pursued neoliberal policies such as the deregulation of the banking sector with bi-partisan support, there was also a widespread consensus that the financial centres in New York and London were global exemplars for the success of free market capitalism (Harvey 2005: 13). In analysing the dominant discourse immediately prior to the onset of the crisis, this section foregrounds the widespread consensus on two key points; that the free market was the best institution to regulate the economy, and that the UK and US economies, and particularly the banking sectors, were governed by free market principles.

Gordon Brown, who had first entered politics as a Fabian socialist, is particularly representative of the hegemony of neoliberal ideas in the anglosphere. Despite his prior socialist leanings, Brown became a key figure in ‘New Labour’, the movement in the Labour Party which largely acceded to neoliberal principles (Fairclough 2000; Matthijs 2011). As Chancellor, Brown instituted policies of privatisation and marketisation, guided by the belief that ‘promoting the market economy helps us to achieve our goals of a stronger economy and a fairer society’ (Brown 2003: 12), and even expressed open admiration for the policies of the Thatcher government (Newsinger 2007). In his final Budget speech as Chancellor in 2007, shortly before

he became Prime Minister, Brown infamously boasted of the durability of his neoliberal economic policies, declaring that Britain ‘will never return to the old boom and bust’ (Brown 2007a). Brown’s belief that the city of London banking system was an exemplar of free market progress was also evident in his 2007 Mansion House Speech to an assembled group of bankers, with Brown (2007b) proclaiming the beginning of ‘an era that history will record as a new golden age for the City of London’, created by ‘pioneers of free trade and its leading defenders, with a deep and abiding belief in open markets’. If Brown’s (2007b) allegiance to the interests of the bankers was in any doubt, he added:

as I begin my new job [as Prime Minister], I want to continue to work with you in helping you do yours, listening to what you say, always recognising your international success is critical to that of Britain’s overall and considering together the things that we must do – and, just as important, things we should not do – to maintain our competitiveness.

Further evidence of neoliberal hegemony in Britain prior to the crisis, and of the influence of the banking sector, can be found in similar comments from leader of the Conservative opposition David Cameron. In September 2007, Cameron (2007) delivered a speech on ‘The End of Economic History’, claiming that:

The debate is now settled. I’m proud that this is one of the few countries in the world where all serious candidates for high office support the principles of free trade and monetary discipline...Indeed the whole new Labour project was built on recognising, and accepting, the free market consensus.

Addressing the signs of the economic downturn that were starting to become apparent in financial markets, Cameron (2007) only added that ‘our hugely sophisticated financial markets match funds with ideas better than ever before’, and that ‘Capitalism is clearly the greatest

agent of human fulfilment that human ingenuity has ever contrived'. Thus, as late as September 2007, the free market master discourse continued to dominate mainstream politics in the United Kingdom.

In the United States, President Bush was an even more enthusiastic advocate for the free market. In his first joint address to Congress in 2001, Bush (2001) claimed that in both domestic and foreign policy, his administration would 'work for free markets, free trade and freedom from oppression'. In domestic policy, Bush implemented significant tax cuts targeting the highest income brackets, based on the explicitly neoliberal logic that tax cuts encourage economic growth and that 'tax relief expands individual freedom' (Bush 2005). Bush also continued the process of deregulation begun under the Reagan administration, with an emphasis on deregulating the financial sector (Cooper 2009). Evidence of the Bush administration's ideological fervour for deregulation can be found in a 2003 photo op in which James Gilleran, Bush's appointee to head the Office of Thrift Supervision, posed with fellow regulators cutting up piles of 'red tape' banking regulation with chainsaws (see Joffe-Walt 2009). In foreign policy, Bush's adherence to neoliberal principles was also evident. As Wendy Brown (2006) has shown, potentially contradictory strands of neo-conservatism and neoliberalism converged during the Bush administration, with free market rhetoric frequently used to support imperialist aims in Afghanistan and Iraq. For instance, Bush (2004) claimed that his interventionist foreign policy aimed to achieve 'the development of free elections and free markets, free press, and free labor unions in the Middle East'. Bush's discourse therefore demonstrates the ability of a successful master signifier to conceal and reconcile antagonisms by taking on different meanings in different contexts.

The hegemony of the neoliberal discourse in the US context can also be found in the repeated invocation of the 'free market' in Congressional records by members of both major parties. Typically, the free market was used as the final word of affirmation on a particular partisan

position, or as a means to discredit an opponent by claiming that they did not sufficiently support the free market. For instance, on healthcare and education, Republican Congressman Todd Tiahrt (2006) claimed that ‘the two things that we need the most in our economy are a good education system and a good health care system, and those are the two things that the Democrats do not want to trust to the free market.’ Regarding the regulation of broadcast television, Democratic Congressman Jerry Nadler (2005) suggested that the Republican ‘Puritans of this House and elsewhere in government are not satisfied with free choice and the free market. Instead, they want the government to decide what is or is not appropriate for the public to watch or listen to’. Even politicians with policy positions generally outside the mainstream still used the language of the free market to communicate their demands. For instance, in opposing the Iraq War, Republican Senator Ron Paul (2005) was advocating a dissenting policy position within his party, but nevertheless signified his demands in the language of the free market, suggesting that the alternative to military intervention was ‘Free markets supported by sound money, private properties, and respect for all voluntary contracts, [which] can set an example for the world, since the resulting prosperity would be significant and distributed more widely than any socialist system’. These various examples drawn from different policy debates thus evidence the overwhelming hegemony of the free market master discourse in US politics prior to the onset of the crisis.

5.2 Onset I – Denial and the Status Quo Narrative

The build-up of a potentially harmful bubble in the US housing market had been identified by economists as early as 2005 (see Rajan 2005; Baker 2006; Pettifor 2006). In February 2007, US economist Peter Schiff published *Crash Proof: How to Profit From the Coming Economic Collapse*, which predicted a crash in the housing market would lead to a general recession. In early 2007, Alan Greenspan joined the voices warning of an imminent recession based on

volatility in sub-prime mortgage markets (see Man 2007). Other key markers of the decline included the bankruptcy of US subprime mortgage lender New Century in April 2007, the bank run on Northern Rock in September 2007, the collapse of Bear Sterns in March 2008 and finally the bankruptcy of Lehman Brothers in September 2008 (see Mitchell and Wilmarth 2010: 22-35). Different accounts of the crisis have located the onset in these different events, or else in the record declines recorded by financial markets such as the Dow Jones at various times in 2007 or 2008. However, from the discursive perspective adopted here, the onset of crisis cannot be located in any one event, or indeed in a particular quantum of decline on the stock market. Rather, as I have maintained throughout, crisis is an inherently discursive phenomenon, and emerges when the dominant discourse can no longer make sense of the Real. The onset of crisis was thus a discursive contest between the previously dominant neoliberal discourse, which attempted to continue to account for the vagaries of the Real within the confines of the master discourse, and the discourse of crisis, which argued that the master discourse had broken down, and could no longer structure reality. In this section, I examine the constructions of the master discourse, which claimed that there was no crisis, and therefore no need to depart from the free market.

The first response from proponents of the neoliberal master discourse was to deny that the signs of decline in financial markets constituted anything out of the ordinary. For instance, in August 2007 the Wall Street Journal framed the crisis as ‘the result of the normal ebb and flows of credit cycles’, adding that ‘the free market will amply handle the correction that is already happening’ (Penner 2007a). Republican Presidential candidate Rudolph Giuliani made similar comments the same month, claiming that the downturn was up to ‘the market to straighten out, and it will’, and that the government must ‘not succumb to the temptation of trying to manipulate it too much and come in with a bailout’ (cited in Redburn 2007). In both these contributions, the downturn is constructed as an expected feature of a market economy, and the

free market remains in the place of master, tasked with solving the crisis. The status quo narrative which sought to minimise the severity of the crisis remained robust throughout 2007, and into 2008. In November 2007, the Financial Times was still celebrating the free market model, pointing to the success of deregulation and criticising the ‘myth’ that ‘free market reforms have socially adverse consequences’ (Munkhammar 2007). Even by March 2008, when the US government stepped in to prevent the collapse of Bear Sterns, the status quo narrative remained prominent, with Bush (2008a) claiming that ‘in a free market, there’s going to be good times and bad times...In the long run, I’m confident that our economy will continue to grow, because the foundation is solid’. Leading Republican Presidential Candidate John McCain made similar comments in June 2008, minimising the risk of a financial crisis because of ‘a great belief that the fundamentals of our economy are very strong’ (CNN 2008).

In the period of onset, some proponents of the master discourse also repeatedly claimed that the crisis was already over. For instance, in a critique of Bush’s first minor stimulus package introduced in January 2008, Fox News claimed that ‘after the checks get there in May...it [the crisis] will be over by then in the first place’ (Barnes 2008a). Similarly, in January 2008 the Telegraph announced the end of the ‘brief – virtually fictitious – crisis’, adding that ‘if you had been on the briefest of holidays on a desert island or even in bed with flu for a day, you’d have missed the whole thing’ (Daley 2008). Again in May 2008, the Telegraph asked ‘whatever happened to the bear market?’, celebrating the ‘increasing confidence that the credit crunch problem has begun to be contained’ (Bartholomew 2008), with Fox News concurring even in August 2008 that ‘it’s not an emergency, not a crisis’, and that all that was required was a willingness ‘to let, wherever possible, the free market work its will’ (Barnes 2008b).

In conjunction with the narrative of complete denial, another variation of the status quo narrative more explicitly acknowledged that a significant crisis was occurring, but sought to blame the actions of individual bankers and borrowers, and therefore maintain that the free

market remained the solution and not the problem. For instance, responding to the crisis EU Commissioner for Internal Markets and Services Charlie McCreevy denounced the ‘irresponsible lending, blind investing, bad liquidity management, excessive stretching of rating agency brands and defective value at risk modelling’, adding that ‘now that the tide had gone out, the state of undress of many participants in financial markets is there for all to see – bare bottoms all over the place’ (cited in Barber 2007). However, McCreevy still maintained that the free market was the necessary solution for correcting the destructive behaviour of the financial sector, because ‘rules that enforce transparency in financial markets can sometimes backfire, spreading panic and moral hazard across the system’ (cited in Barber 2007). The Wall Street Journal evidenced a similar narrative, claiming that although ‘our major financial institutions have suffered billions of dollars of losses, shaking their foundations to the core... calls for government to "do something" are either self-serving or short-sighted, and would do more harm than good’ (Penner 2007b). Rather, the Journal maintained that ‘we need to resist the temptation to turn to our government – like a child turns to a parent – to ease our punishment by intervening in the market. Our financial system works in both the good and bad times, as long as we are willing to take our medicine when we get sick’ (Penner 2007b). In a contribution to the Wall Street Journal that explicitly focused the blame on the profligacy of individual borrowers, journalist Rob Asghar (2007) blamed ‘the borrower, with minimal qualification and apologies’. Typifying the reverence with which the master signifier is treated in the master discourse, Asghar (2007) claimed that the crisis could only be solved by allowing ‘unfettered market forces to play out their Shiva-esque roles as both Creator and Destroyer of fortunes’, adding that ‘when the average person learns to treat those forces with humility and respect, we’ll all be far better served than by any political promises that claim to stand up for the little guy’.

In critiquing political intervention by government into the free market, the status quo narrative also mobilised an argument of unfairness, claiming that government bailouts would reward irresponsible borrowers and banks at the expense of those who had continued to repay their mortgages. For instance, Fox News contributor Steve Moore (2007) claimed that ‘it will look bad if Washington rushed in and said we think Citigroup is too big to fail, we’re going to bail them out, but we won’t bail out the small home homeowner losing their home...I think Washington should let the free market run its course’. Similarly, political economist Allan Meltzer (cited in Kirchgaessner 2008) contended that ‘The people who are about to default out of their mortgage, they are very eager to get help. But the rest of the population has a very different view’. John McCain also initially opposed any government intervention on the grounds of unfairness, arguing that ‘it is not the duty of government to bail out and reward those who act irresponsibly’ (cited in Munro 2008). Related to the argument of unfairness was a concern about moral hazard, with the Wall Street Journal warning that ‘consequences not suffered from bad decisions lead to lessons not learned, which leads to bigger failings down the road’ (Penner 2008b). Finally, proponents of the second variant of the status quo narrative also maintained that the free market remained the most efficient tool for dealing with the crisis. For instance, US Treasury Secretary Hank Paulson (cited in Krugman 2008a) argued that ‘I do not believe it is fair or accurate to blame our regulatory structure for the current turmoil’, and that ‘market discipline is the most effective tool to limit systemic risk’. Similarly, investor and Wall Street Journal contributor Ethan Penner (2008a) argued that ‘the only resolution to the crisis is to let the free market repair itself’, a construction of the free market that illustrates how the master signifier can be invoked as the final word on the matter, closing down further debate through its self-referential assertion.

A third and final variant of the status quo narrative emerged in 2008, and continued to attempt to account for the crisis within the confines of the free market master discourse. Like the second

variant, the third variant recognised the severity of the unfolding crisis, but in contrast to the second variant, rejected an explicitly non-interventionist approach, recognising that the government needed to take some action to prevent widespread economic collapse. However, the scope of action prescribed was still signified within the language of the free market, even if the interventionist steps taken appeared contrary to the ‘purer’ version of the free market discourse. President Bush exemplified the third construction of the status quo narrative in his response to the crisis in early 2008. On 13th February 2008 Bush signed into law the Economic Stimulus Act 2008, which provided fiscal stimulus in the form of tax rebates (Mitchell and Wilmarth 2010: 25). When Bear Sterns reached the brink of bankruptcy in March 2008, Bush authorised Treasury Secretary Hank Paulson to use federal funds to guarantee the banks’ bad loans, and thereby facilitate its takeover by JP Morgan (Mitchell and Wilmarth 2010: 25). Although both the fiscal stimulus and provision of bailout funds to Bear Sterns would appear to contradict neoliberal principles, Bush (2008a) claimed that he was only taking minor action to protect the free market, stating that:

The temptation of Washington is to say that anything short of a massive government intervention in the housing market amounts to inaction. I strongly disagree with that sentiment. I believe there ought to be action, but I'm deeply concerned about law and regulation that will make it harder for the markets to recover... The market is in the process of correcting itself; markets must have time to correct. Delaying that correction would only prolong the problem.

Bush’s discourse illustrates the manner in which the free market as master signifier can ‘float’, with Bush constructing actions previously held contrary to the free market as compatible and necessary to protect the market.

In recognising the necessity of government action, some proponents of the master discourse also argued for minor reforms of financial markets. However, as with Bush’s construction of

fiscal stimulus and bailout funds, calls for reform of financial markets remained within the confines of the free market discourse. For instance, Ethan Penner (2008a) claimed that ‘like the early 1990s, it is time to re-evaluate and introduce some modifications. But it is certainly not the time to overreact and undermine the most fundamental aspects of our free-market system’. Similarly, despite recognising the need for minor reform, president of the American Council for Capital Formation Mark Bloomfield warned that ‘if we don’t tread very carefully on restructuring a very complex financial system, we might stifle the necessary animal instincts of a free market’ (cited in Andrews and Labaton 2008). Alan Greenspan also acknowledged the need for new regulation of financial markets in August 2008 but cautioned that ‘it is unwise and probably unnecessary to set new regulatory standards before markets settle down...(because) current lending is already more cautious than any regulatory proposal I have seen’ (cited in Calmes 2008). Thus, although the neoliberal discourse was increasingly challenged, throughout 2007 and in the first half of 2008 it was able to maintain coherence in its construction of the crisis, claiming either that there was no crisis, or that the crisis was exogenous to the free market system, and would shortly be solved by the free market.

5.3 Onset II - Hysteria and the Free Market Crisis Narrative

The credibility of the status quo narrative was increasingly stretched throughout 2008, as the narrative struggled to account for the repeated failures of major banks. The collapse of Lehman Brothers in particular made clear that the banking system could not survive without significant government support, and that the looming recession would be the most severe since the 1930s. Having previously constructed Wall Street as the exemplar of deregulated free market capitalism, the status quo narrative could not account for its spectacular failure and need for government rescue. As conservative economist Charles Dumas (2008) put it in *The Telegraph*, ‘it is Wall Street, the paradigm of “red in tooth and claw” capitalism, that has turned to

government subsidy on an unprecedented scale'. With the master discourse unable to provide the signifying chains of meaning that would make sense of the crisis, the collapse of Lehman Brothers solidified the already emerging narrative which held the free market directly responsible for the crisis.

In this section, I develop the argument that the main discursive challenge to the neoliberal status quo took the form of a discourse of the hysteric. As I noted in chapter 2.2, a hysteric discourse is one that directly challenges the master, calling the master to account for its failure to provide the promised *jouissance*. As Fink (2017: 34) puts it, the hysteric 'goes at the master and demands that he or she show his or her stuff, prove his or her mettle by producing something serious by way of knowledge'. Nevertheless, by addressing its discourse to the master, the hysteric still affirms a relationship of authority, and creates a form of subjectivity which cannot escape from the dominance of the master. In the context of the GFC, the hysteric discourse directly challenged the free market master signifier, demanding that the free market be held to account for the outbreak of the crisis, and for its failure to provide freedom, order and prosperity. Crucially though, in critiquing the failure of the free market, the critical discourse implicitly accepted that the world was dominated by something called the free market, thereby formulating the discourse according to the hysteric's form of subjectivity.

Critical accounts of neoliberalism during the GFC thus remained squarely within the confines of neoliberal social ontology, constructing a world in which the political was dominated by the binary pairing of the free market and the state. In fact, the binary construction of the free market vs. the state in the hysteric's discourse was often drawn even more sharply and simplistically than in mainstream neoliberal thought. As noted in chapters 3 and 4, most neoliberal thinkers, with the exception of the most libertarian of the Austrian neoliberals, recognised that the free market relied on the state, and that certain state activities were entirely compatible with the free market. Critical discourses in the crisis largely overlooked this nuance, presenting

neoliberalism as uniformly and doctrinairely anti-state and laissez-faire. Critics of neoliberalism therefore constructed what Mirowski (2013: 10) nicely terms a ‘comic book’ account of neoliberalism, erroneously concluding that any state action represented the end of neoliberalism. Further, even when advocates of the hysteric discourse proposed policy measures that significantly contradicted the neoliberal orthodoxy – bank bailouts, fiscal stimulus, and to a lesser extent, regulation – these demands were still signified within the neoliberal ontological framework of the free market vs. the state, and were justified by the need to restore market stability and profitability. Hence, many of the measures proposed by critics amounted to only a strengthening of market structures through taxpayer funded corporate bailouts and economic stimulus, confirming the market as the dominant governing structure in human relations. As I will show in chapter 6, these demands could subsequently be easily absorbed back into the neoliberal discourse, paving the way for the return of the free market master signifier described in chapter 7.

The structure of the hysteric’s discourse was first evident in the eschatological language used to construct the onset of the crisis. Political leaders repeatedly compared the financial downturn to the Great Depression of the 1930s, seeking to convey both the severity and potentially era-defining ramifications of the crisis. In October 2008, then-candidate Obama (2008d) warned that ‘I think everybody knows now we are in the worst financial crisis since the Great Depression’, while President Bush (2009) revealed that he was ‘told by chief economic advisors that the situation we were facing could be worse than the Great Depression’. In the UK, Labour Minister Ed Balls (2009) claimed that ‘this is a financial crisis more extreme and serious than that of the 1930s’, predicting it would lead to ‘seismic events that are going to change the political landscape’. Opponents of the neoliberal status quo also repeatedly compared the GFC to the fall of the Soviet Union, conveying a sense of traumatic breakdown

and pending paradigmatic change by presenting the crisis as a ‘Berlin Wall’ moment for neoliberalism:

‘the dramatic equivalent of the collapse of the Soviet Union: we now know that an era has ended’ (Hobsbawm 2008, cited in Evans-Pritchard 2008b)

‘this financial crisis is for capitalist neo-liberals what Chernobyl was for the nuclear lobby’ (Cohn-Bendit 2008)

‘what we are seeing with the crash on Wall Street, I believe, should be for Friedmanism what the fall of the Berlin Wall was for authoritarian communism’ (Klein 2008c)

‘Wall Street has collapsed. The present crisis, the fall of Wall Street, is to neo-liberalism what the fall of the Berlin Wall in 1989 was to communism’ (Gusenbauer 2008)

‘Like the collapse of the Soviet Union, the crash of the global financial structure has all the earmarks of a genuine systemic transformation—the end of an age of vast, untrammled market expansion and neoliberal deregulation’ (Cohen 2009a: 437)

‘September 15, 2008, the date that Lehman Brothers collapsed, may be to market fundamentalism...what the fall of the Berlin Wall was to communism’ (Stiglitz 2010: 219)

The sense of hysteria in the face of crisis was also apparent in the *Financial Times*, historically a more cautious and neoliberal publication. After the collapse of Bear Stearns, the *Financial Times* cautioned its readers to ‘Remember Friday March 14 2008: it was the day the dream of global free-market capitalism died’ (Wolf 2008a). The collapse of Lehman Brothers in September was reported in even more hyperbolic terms, with a headline simply warning ‘Be ready, this is the apocalypse’ (Jacobs 2008).

In accounting for the onset of the crisis, the hysteric discourse foregrounded the failure of Wall Street, constructing the collapse of various Wall Street institutions as evidence of systemic neoliberal failure. As noted above, prior to the crisis ‘Wall Street’ was presented as the

exemplar of globalised free market capitalism. Accordingly, the failure on Wall Street appeared to signify the end of neoliberalism:

For the second time in barely a week, an avowedly free market government in the citadel of laissez-faire capitalism has been forced to nationalise a linchpin of American finance...What is certain is that the dominance of the free-market model of capitalism, which has held sway across the world for more than two decades, is rapidly coming to an end. When its high priests in Washington are forced to carry out the largest nationalisations ever undertaken outside the communist world, while intervening on an unprecedented scale across markets that were supposed to be self-regulating in order to keep the system afloat, the neoliberal order is transparently falling apart. (Milne 2008b)

The above quote from Milne's Guardian editorial demonstrates how the 'free market failure' discourse linked the collapse of individual financial institutions to a broader crisis in free market capitalism, with the ideological dimension of neoliberal failure particularly foregrounded. As Paul Krugman (2007) put it, 'at a deep level, I believe that the problem was ideological: policy makers, committed to the view that the market is always right, simply ignored the warning signs', with economist Robert Skidelsky (2009: xiv) concurring that 'The root cause of the present crisis lies in the intellectual failure of economics. It was the wrong ideas of economists which legitimized the deregulation of finance, and it was the deregulation of finance which led to the credit explosion which collapsed into the credit crunch'. The legacies of the Thatcher and Reagan governments were also increasingly brought into question, with their policies of deregulation held responsible for the crisis. As George Parker (2008a) put it in the Financial Times, 'the wider lesson of Northern Rock is one that politicians of every stripe have been forced to absorb: that the free market orthodoxy embedded by Margaret Thatcher and embraced by Tony Blair does not apply in the normal way to banking', with Yale

political economist Jeffrey Garten (cited in Milne 2008a) agreeing that ‘the era of free markets unleashed by Margaret Thatcher and reinforced by Ronald Reagan in the 1980s is fading away’. Having determined that the free market was responsible for the crisis, proponents of the hysteric discourse proceeded to conclude that the state must be the solution. As German sociologist Ulrich Beck (2008) put it, ‘This free market farce shows how badly we need the state...It's clear that things can't go on without the state's guiding hand’ (see also Dearden-Phillips 2008; Gould 2009). The New York Times similarly noted the demise of the idea that ‘prosperity springs from markets left free of government interference’, finding ‘a bipartisan chorus has decided that unfettered markets are in need of fettering. Bailouts, stimulus spending and regulations dominate the conversation’ (Goodman 2008). The three policies named in the previous quote – bailouts, fiscal stimulus and regulation – were all constructed as significant departures from neoliberal principles, and therefore as the key means by which proponents of the hysteric discourse sought to reassert state control over the market. I consider each of the three policy responses in turn.

Bailouts

In the period of onset, the need to provide emergency bailouts to prevent the collapse of systemically important financial institutions received the most attention. The first bailouts of failing banks occurred in the UK, most notably in the case of Northern Rock. The UK government first provided liquidity to Northern Rock in September 2007, and after several unsuccessful attempts to arrange a buyer for the failing bank, it was nationalised on 22 February 2008 (Mitchell and Wilmarth 2010: 24-5). In October 2008, the UK government provided an additional \$500 billion to support the financial sector, in the form of the direct provision of liquidity for failing banks, deposit guarantees, and buying bank shares (Mitchell and Wilmarth

2010: 27). In the US, government funding was provided to prevent the collapse of Bear Sterns in March 2008, but was later withheld from Lehman Brothers, leading to its bankruptcy. After witnessing the financial contagion caused by the Lehman bankruptcy, the Bush administration promptly returned to a policy of bailouts, passing the Troubled Assets Relief Act in October 2008 which provided \$700 billion in funds to support failing financial institutions (Mitchell and Wilmarth 2010: 25-7).

By intervening in the marketplace to save failing corporations, the bailouts prevented the normal operation of market discipline, and therefore contradicted neoliberal principles. However, the framing of the bailouts in the hysteric discourse is somewhat discordant, with proponents suggesting both that the bailouts were a direct repudiation of neoliberalism, but also that it was principally neoliberals calling for bank bailouts. For instance, Guardian economic columnist Jonathan Freedland (2008) suggested that ‘The free marketeers have spent the past two decades preaching against the evils of state intervention... Yet what happens when these buccaneers of unfettered capitalism run into trouble? They go running to the nanny state they so deplore, sob into her lap and beg for help.’ Similarly, Rosa Freedman and Luke McDonagh (2008) writing in the Guardian claimed that ‘It is the Thatcherite economic theories and ideas of the right that have gotten us into this mess... yet, despite this, the same free-marketeters who have argued for total deregulation are now desperately trying to justify the massive state intervention in the market’. The palpable *schadenfreude* in the previous quotes is a clear indicator of the hysteric’s discourse, with the speakers appearing to derive a perverse *jouissance* from the misfortunes now facing the ‘free-marketeters’. However, their claim that it was primarily neoliberal politicians and economists calling for the bailout is not readily supported by the evidence in my corpus.

Rather, my corpus demonstrates that while it is not possible to isolate a uniform position of neoliberals during the immediate onset of the crisis, the most prominent voices opposing the

bailouts were exactly the people who were most likely to be described as neoliberals. For example, in September 2008 forty-five academics from the University of Chicago, the bastion of neoliberal economic thought, signed an open letter urging Congress to delay the bailout on the grounds that ‘fundamentally weakening those markets in order to calm short-run disruptions is desperately short-sighted’ (Open Letter, 2008). Further, although the TARP Act was introduced by the Bush administration, it was opposed by a majority of Republican members of Congress, who argued that the bailout was a socialist departure from free market principles. For instance, consider the following quotes from different Republican politicians, all from September 2008 and opposing the TARP bailout on explicitly neoliberal grounds:

‘Federal investment in such large amounts of private company stock has the appearance of a socialist and not a free-market approach to managing our economy’ Open Letter to Secretary Treasury Paulson and Chair of Federal Reserve Bernanke, authored by Representative Jeb Hensarling and signed by over 100 House Republicans (cited in Heilbrunn 2008) September 18

‘I come today to speak on behalf of the forgotten man, and that includes some 50% of Americans that either own their home, or are renting. The 95% of homeowners that are making their payments on time. The 99% of Americans that did not behave irresponsibly that ultimately will pay the price for this bill’ Representative Bill Feeney (cited in Strassel 2008) 19 September

‘What we need now is not what could be nearly a trillion dollars in new taxpayer bailouts, but pro-growth policies that allow our markets to correct and start growing again’. Senator DeMint (cited in *The Telegraph* 2008b) 21 September

‘We should demand consideration of free market alternatives to massive government spending and we should fight to pay for the solution through budget cuts and reform instead of more debt or taxes.’ Governor Mike Pence (2008) 22 September.

‘This massive bail-out is not the solution. It is financial socialism, it is un-American.’ Representative Jim Bunning (cited in Politi and Dombey 2008) 24 September

In the UK, opposition to the bailout was less apparent during the onset of the crisis, with the Conservative opposition mostly supporting government measures to recapitalise the banking sector (see Cameron 2008). The most prominent criticisms of the bailout did however again come from neoliberals. For instance, the neoliberal thinktank the Adam Smith Institute strongly opposed the bailout, suggesting that ‘banks must be allowed to fail...[because] if government bails them out, they'll behave even more riskily in future’ (Clougherty 2008). The Financial Times and the Telegraph also published articles using neoliberal logics to criticise the bailout, foregrounding the problem of moral hazard and suggesting that ‘profits are privatised but losses are nationalised: individuals get to keep the millions they make, because when their decisions lead to losses, they do not pay – the rest of us do’ (The Telegraph 2008c; see also Rayner 2008; Plender 2008).

Although many neoliberal voices opposed the bailout, some neoliberal thinkers and politicians did argue the severity of the crisis necessitated a temporary departure from neoliberal principles, a discursive move I discuss in more depth in chapter 6.2. For example, defending the bailout, President Bush (2008b) suggested his actions constituted a temporary departure from free market principles, forced on him by the crisis:

Our system of free enterprise rests on the conviction that the federal government should interfere in the marketplace only when necessary. Given the precarious state of today's

financial markets - and their vital importance to the daily lives of the American people
- government intervention is not only warranted, it is essential.

Although Bush is supporting the bailout in the above quote, he is still making clear that government intervention contradicts his preferred system of free enterprise, a framing of the bailouts that was adopted by both supporters and opponents of the bailout, and which therefore created a widespread belief that the bailouts constituted the end of neoliberalism. Gordon Brown (cited in Wintour 2009a) also constructed the bailouts as the end of free market capitalism, claiming that the bailouts marked the end of ‘the old era of unbridled free market dogma’. The Guardian repeatedly published articles claiming that the neoliberal approach favoured allowing the banks to fail, and that the bailouts therefore represented the end of the free market. As Polly Toynbee put it, ‘laissez-faire ideas decree doing nothing again...this is the time when government really shows its worth. It should bolster any financial institutions that risks setting off domino collapses’ (Toynbee 2008; see also Guess 2008; The Guardian 2008). Thus, although the necessity of bailing out the banks was contested, there was an overwhelming consensus during the onset of the crisis that the bailouts were a significant departure from neoliberalism, and therefore heralded the dawning of a new economic era.

Fiscal Stimulus

The second major departure from neoliberalism embraced during the onset of the crisis was Keynesian influenced policies of fiscal stimulus. According to Keynesian logic, economic crises are caused by falling aggregate demand, and therefore require governments to run fiscal deficits to help demand recover (Mankiw 2008). From the 1980s onwards, Keynesian macroeconomic approaches had been largely marginalised in both the economics discipline and politics more generally, replaced by the neoliberal supply-side approach which claims that

governments should reduce expenditure during a crisis to target inflation and stabilise the economic cycle. Reflecting the dominance of supply-side approaches, as early as 1980 University of Chicago economist Robert Lucas claimed that ‘at research seminars, people don’t take Keynesian theorising seriously anymore; the audience starts to whisper and giggle to one another’ (cited in Fox 2008; for a pro-Keynesian perspective similarly recognising the marginalisation of Keynesian thought in the economics discipline prior to the crisis, see Skidelsky 2009).

Despite the apparent marginalisation of Keynesian approaches, following the onset of crisis world leaders moved quickly to implement fiscally expansionary policies to stimulate falling demand, with the IMF – an institution previously marked by a neoliberal, anti-Keynesian macroeconomic approach (Blyth 2013: 163-65) – suggesting countries should implement fiscal stimulus policies totalling 2% of GDP per annum for the duration of the crisis (International Monetary Fund 2008). In the US, Bush introduced the first stimulus package in February 2008, with the Economic Stimulus Act of 2008 spending approximately \$152 billion, predominantly through the provision of tax rebates (Mitchell and Wilmarth 2010: 25). A second much larger stimulus package totalling \$787 billion in spending, the American Recovery and Reinvestment Act, was passed by the Obama administration in February 2009, combining tax rebates with infrastructure spending (Mitchell and Wilmarth 2010: 32-33). In the UK, Brown introduced his major stimulus package in November 2008, spending approximately \$20 billion through a combination of cuts to the Value Added Tax and infrastructure spending (Pritchard 2009: 102). Though the discretionary stimulus package in the UK was smaller, the UK had a larger non-discretionary spending, as in contrast to the US, a more well-developed welfare state automatically increased expenditure in response to the downturn (International Monetary Fund 2009: 29-30).

The sudden embrace of Keynesian macroeconomics following the onset of the crisis appeared to be a sharp break from the previous economic paradigm, and was treated as further evidence for the demise of neoliberalism. Reprising Nixon's old slogan, a Wall Street Journal (2008a) headline proclaimed 'We're all Keynesians now'. Retracting his earlier comments about the demise of Keynesian theorising, Robert Lucas admitted 'well I guess everyone is a Keynesian in a foxhole' (cited in Fox 2008). Economists with perspectives more sympathetic towards Keynes were even more enthusiastic in constructing policies of fiscal stimulus as part of a broader turn away from the neoliberal paradigm. Paul Krugman (2009) declared that 'we're living in the second Age of Keynes', while Keynes' biographer Robert Skidelsky (2009) published *Keynes: Return of the Master*, claiming the crisis had demonstrated incurable flaws not only in neoclassical economic theories such as the efficient market hypothesis, but more broadly in the entire mathematical edifice that had dominated the economics discipline since Samuelson (see chapter 4.3). Skidelsky (2009: xiv) also suggested that world leaders had successfully returned to Keynesian policies of macroeconomic management, and that 'various bailout and stimulus packages have stimulated depressed economies sufficiently to give us a reasonable expectation that the worst of the slump is over'.

Lucas, Krugman and Skidelsky were correct to suggest that the logic used to justify the fiscally expansionary policies adopted in response to the crisis contradicted neoliberal approaches to macroeconomic management. By increasing government expenditure in response to an economic downturn, the various governments were implicitly accepting the Keynesian premise that government expenditure could stimulate economic growth, and rejecting the neoliberal position which cautioned against the inflationary effects of the spending programs. However, as with the bailouts, it is important not to overstate the extent of the departure. Crucially, in both the UK and US, the stimulus programs centred on tax cuts. While the use of tax cuts as a counter-cyclical demand management tool is contrary to neoliberal logic, tax relief itself

remains an intrinsically neoliberal goal; it was Friedman (1978: 12), after all, who claimed ‘I am in favour of cutting taxes under any circumstances, for whatever excuse, for whatever reason’. According to Keynes, tax cuts are the least effective form of fiscal stimulus because they return income to the wealthiest, who have the highest propensity to save, and therefore generally fail to increase aggregate demand. Instead, Keynes argued that during a crisis, governments should redistribute wealth to the poorest income groupings, who are the most likely to spend any new income, thereby supporting a recovery in aggregate demand (De Haan 2016: 73-75). Tax cuts themselves did not therefore constitute a rejection of neoliberalism and the return of Keynes. Although some of the logic used by politicians and economists was Keynesian, the means remained decidedly neoliberal.

The key error of many critical accounts of neoliberalism during the crisis was therefore to assume that any kind of increase in government debt or expenditure constituted a rejection of neoliberalism. For instance, New Keynesian economist Brad de Long (2009) argued that any increase in government debt represented the return of a Keynesian approach, and should therefore be welcomed, claiming that ‘anything that boosts the government’s deficit over the next two years passes the benefit-cost test – anything at all’. Having adopted the neoliberal ontological binary of the free market versus the state, De Long and other supporters of increasing government debt presumed that any measures increasing the government's deficit constituted the ‘return of the state’. What this perspective overlooks is that although tax cuts increase government debt in the short-term, in the long-term they can also lead to a shrinking of the size of government. By cutting taxes, the government was actually reducing its intakes and therefore its role in the economy. In the short-term, the new shortfall between intakes and expenditure could be made up by increasing debt, but in the long-term that debt would have to be paid off either through increased taxation or cuts to public expenditure. Crucially then, the policies adopted at the onset of the crisis opened up an avenue for the intensification of

neoliberalism, by reducing government intakes, and therefore creating a future justification for the necessity of corresponding cuts to government expenditure. As we will see in chapter 7, Keynesian logics would again be put to work here to justify austerity policies after the worst of the crisis, citing Keynes' (1983 [1937]: 390) famous axiom that 'the boom not the bust is the time for austerity at the treasury' (see for instance UK Business Secretary Vince Cable, who claimed that austerity policies adopted by the UK government from 2010 constituted the genuine Keynesian approach; Cable 2011). Yet the ellipsis here is that for Keynes, government transfers should remain at redistributive, taking wealth from those most likely to save (the wealthiest) and redistributing it to those most likely to spend (the poorest). Instead, the faux-Keynesianism of the crisis favoured the wealthiest all along, through tax cuts returning a greater proportion of wealth to the highest income quartiles, followed by spending cuts targeting the most vulnerable.

The supposed return of Keynes during the onset of the crisis was therefore constructed in the vocabulary of the hysteric, with economists and politicians straining to escape the ideas of neoliberalism, attempting to draw on Keynesian logics, but ultimately remaining hopelessly constrained by their implicitly neoliberal ontological horizons. Though policies of fiscal stimulus, and especially infrastructure spending, represented certain departures from neoliberal macroeconomic orthodoxy, in both their means (tax cuts) and in their basic constructions of the economic and the political (government intervention vs. non-intervention; the state vs. the free market), they failed to affect a significant or lasting departure from neoliberalism.

Regulation

The final policy innovation considered in response to the crisis was the re-regulation of financial markets. As noted previously, deregulation was one of the chief culprits in anti-

neoliberal accounts of the cause of the crisis (see for instance Freedman and McDonagh 2008; Skidelsky 2009). In the US, critics located the origins of the move towards deregulation in the Reagan administration, but also noted key decisions made by the Clinton administration, and then further deregulation under Bush. Clinton's repeal of the Glass-Steagall legislation— a Great Depression era reform that mandated the separation of commercial and investment banking operations – was held particularly responsible for encouraging bankers to increase risk-taking in mortgage markets, thereby creating the conditions for the crisis (Krugman 2008c: 177; Stiglitz 2010: 103). In the UK context, Margaret Thatcher's 'big bang' of financial deregulation in 1986 was cited as a long-term cause of the crisis (Whitehouse 2009; Gamble 2009), with other critics noting that the broad contours of Thatcher's financial deregulation were retained under the New Labour governments of Blair and Brown (Parker 2008a; Matthijs 2011). Having determined that deregulation was a key cause of the crisis, the critics of neoliberalism demanded re-regulation of financial markets in particular, and the broader economy more generally, to ensure that the crisis could never recur.

However, there were three key factors that mitigated against immediate anti-neoliberal re-regulation of the economy. Firstly, as Alan Greenspan (cited in Calmes 2008) highlighted, the re-regulation of financial markets was the least urgent of the various responses to the crisis. Although greater regulation could have arguably prevented the crisis, once the crisis had begun, the rapid evaporation of confidence meant that market participants adopted conservative approaches to risk-taking, rendering regulation temporarily redundant. In contrast to the bailouts and fiscal stimulus, which were emergency measures aiming to fix the crisis, policies of re-regulation were geared towards preventing future crises, and could therefore be postponed until after the worst of the crisis was over. Secondly, the regulation of financial markets was a highly technical area of policy making, which mitigated against immediate action, instead encouraging a gradual, specialised and therefore de-politicised approach to future regulation.

Finally, also mitigating against the demand for the immediate re-regulation of the marketplace was the fact that despite the supposed deregulation revolution, financial markets were still regulated by a significant variety of legislation and regulatory authorities. The adoption of a neoliberal social ontology by neoliberal critics complicated their attempts to understand the nature of financial regulation, as a focus on markets as deregulated prevented an examination of particular forms of financial regulation that had allowed the crisis to occur. As Craig Dearden-Phillips (2008) put it in a representative contribution to the Guardian:

For the first time in 35 years, the thing we call "free market capitalism" is being challenged. The idea that the single-minded pursuit of profit produces the best outcomes is being questioned. Markets are suddenly discredited as random and unfair. And the state, following its decisive interventions in the banking system, is - after a long time on the back foot - fashionable again. Regulation is de rigueur and economic liberalism last year's colour. (Dearden-Phillips 2008; see also Krugman 2008c: 177)

The quote demonstrates the pervasive presumption that the regulatory state and the market are binary opposites, constituting mutually exclusive identities. By Dearden-Phillips' account, the state and regulation are necessarily in conflict with the market and economic liberalism. What this account conceals is that market economies, and particularly complex financial markets, are always created and maintained by a significant body of state regulation. As Donald MacKenzie (2005: 569), an expert on financial markets, put it in 2005, the view that markets and states are somehow opposed 'cannot survive serious study of the regulation of financial markets', and further, 'the modern American financial markets are almost certainly the most highly regulated markets in history, if regulation is measured by volume (number of pages) of rules, probably also if measured by extent of surveillance, and possibly even by vigor of enforcement.' The focus on deregulation and 'unfettered markets' in the aftermath of the crisis therefore prevented

a focus on the forms of regulation that created the crisis, implicitly accepting the neoliberal ideological fantasy of the possibility of a purely ‘free’ unregulated market.

To be clear, regulatory proposals that attempted to recraft the economy in a manner that would mark a significant break with neoliberalism were considered in the aftermath of the crisis. However, the pervading presumption that the crisis had occurred in an environment devoid of regulation, and therefore that any new forms of regulation – including incremental tweaks to existing regulation – constituted a form of ‘re-regulation’, significantly hampered substantive attempts to reshape market structures. Further, the focus on the re-regulation of the market reaffirmed another implicit yet extremely powerful neoliberal presumption; that the market, be it deregulated or regulated, should nevertheless remain the dominant structure in human economic relations. The actual details of regulatory reforms were largely left for the response and aftermath of the crisis, and so are considered in more depth in the following chapters. The key point I wish to accentuate here is that even during the onset period of the crisis, the language used to signify the crisis – deregulated or regulated markets, the state vs. the unfettered market – was drawn from an overwhelmingly neoliberal vocabulary, terminally constraining the ability of critics to think beyond the neoliberal horizon.

5.4 The Washington G20 Summit: Denial and Hysteria

The previous two sections have considered two very different accounts of the crisis. The first account was that of the master discourse, which sought to minimise the severity of the crisis, or else locate its origins in factors exogenous to the free market. The second account was that of the hysteric, which claimed that the free market had caused the crisis, and hence needed to be replaced by what it framed as the opposite of the free market, namely, the Keynesian, regulatory state. I have argued that despite their divergent accounts of the cause of the crisis,

both accounts shared a basic neoliberal social ontology, and signified the crisis in the same neoliberal vocabulary of a binary conflict between the free market and the state. In this section, I compare the two accounts by examining the discursive contest surrounding the crisis at the Washington G20 forum. The G20 World Leader's Summits were initiated in response to the GFC, and brought together world leaders responsible for approximately 90% of global GDP (European Commission 2021), becoming the primary international forum for coordinating national responses to the crisis and constructing the post-crisis economic order (Vestergaard and Wade 2012). Accordingly, the summits provide a representative forum for contrasting the status quo and free market crisis narratives, and for determining which became the more dominant account of the onset of the crisis.

As the crisis intensified in the aftermath of the Lehman bankruptcy, there was increasing recognition of the need for a coordinated international response (Helleiner 2014; Sheel 2014). European leaders first sought to organise an international conference hosted by French President Nicholas Sarkozy, but in a move that reasserted US leadership of the process, President Bush pre-empted the French move by announcing the first ever summit of G20 World Leaders to be held in Washington on 15 November (Sheel 2014: 251). In hosting the summit, Bush sought to defend the US free market model of capitalism against its critics, which included many of the European leaders who argued that the crisis originated in Wall Street specifically, and in US financial capitalism more generally. In a key speech delivered on the eve of the summit, Bush (2008c) sought to interpret the crisis through the framework of the neoliberal fantasy, claiming that 'the crisis was not a failure of the free market system', and that 'history has shown that the greater threat to economic prosperity is not too little government involvement in the market, it is too much government involvement in the market'. Refuting the claims made by various European leaders that US policies of financial deregulation caused the banking crash, Bush (2008c) noted 'many European countries had

much more extensive regulations, and still experience problems almost identical to our own'. In analysing US domestic problems, Bush (2008c) foregrounded 'the case of Fannie Mae and Freddie Mac', the two government-insured mortgage providers. Although both Fannie Mae and Freddie Mac performed better than most private banks during the crisis (Stiglitz 2010: 37-38), Bush sought to highlight these two institutions in his account of the financial crash because of their connection to the government, which allowed the cause of the crisis to be deflected away from the free market and imputed back to the transgressive state. Having determined that the free market was not the cause of the crisis, Bush (2008c) concluded that the solution to the crisis was to 'move forward with the free market principles that have delivered prosperity and hope to people all across the globe'.

Despite the widespread media perception that Bush was a peripheral figure at the November G20 meeting, overshadowed by the absent President-elect Obama, the World Leader's Statement published at the end of the G20 meeting still contained elements of Bush's account of the free market. Replicating Bush's claim that the free market was the solution and not the problem, the Declaration stated that:

We recognize that these reforms will only be successful if grounded in a commitment to free market principles, including the rule of law, respect for private property, open trade and investment, competitive markets, and efficient, effectively regulated financial systems. These principles are essential to economic growth and prosperity and have lifted millions out of poverty, and have significantly raised the global standard of living.
(G20 2008: 4)

However, Bush's account of the crisis was contested by other leaders at the G20, who believed that the neoliberal free market model was the underlying cause of the crisis. For instance, prior to the summit French President Nicolas Sarkozy (2008) had stated that 'laissez-faire is finished. The all-powerful market that always knows best is finished', while shortly after the summit

UK Prime Minister Gordon Brown – who as Chancellor had presided over a decade of neoliberal reform in the UK – claimed that 2008 was the year in which ‘the old era of unbridled free market dogma was finally ushered out’ (Brown, cited in Wintour 2009a). Further, the Summit Declaration focused on deregulation as a cause of the crisis, claiming that ‘policy-makers, regulators and supervisors, in some advanced countries, did not adequately appreciate and address the risks building up in financial markets, keep pace with financial innovation, or take into account the systemic ramifications of domestic regulatory actions’ (G20 2008: 1). By focusing attention on lapse regulators, this account of the crisis directly challenged the neoliberal axiom that the free market was best left unregulated.

The Washington declaration also supported the three key state responses to the crisis noted in the previous section – namely, providing bailouts to systemically important failing banks, coordinated fiscal expansion to address the downturn in demand, and strengthening the regulation of the financial sector to prevent a repeat of the crisis. By tasking the state with responding to the crisis and saving the free market system from collapse, these policies directly challenged the logic of the neoliberal fantasy, according to which the state is always the problem and not the solution. Further, the ability of Bush to reassert the neoliberal fantasy against the statist response to the crisis was complicated by the fact that domestically, Bush had adopted these statist policies in response to the crisis, bailing out financial institutions through the Troubled Assets Relief Program, providing direct fiscal stimulus through the Economic Stimulus Act 2008, and preparing to re-regulate elements of the financial system (Helleiner 2014: 125). Having adopted policies that appeared to directly contradict the core tenets of neoliberalism, Bush (2008d) subsequently struggled to maintain the coherency of his narrative of the crisis, eventually paradoxically conceding that he had ‘abandoned free-market principles to save the free-market system’. Crucially, having previously presented financial

deregulation and state retrenchment as core tenets of free market policy, Bush could not make sense of his response to the crisis within the confines of the neoliberal fantasy narrative.

Bush's narrative framing which absolved the free market of responsibility was thus largely marginalised at the G20, but other elements of the neoliberal discourse remained, even during the early stages of the crisis. While, as I noted above, bailouts, fiscal stimulus and regulation contradicted the neoliberal orthodoxy, the G20 documents also demonstrate that the language used to justify these measures still drew widely on the neoliberal economic vocabulary. For instance, according to the declaration the measures were enacted to 'stabilize financial markets and support economic growth', and were 'guided by a shared belief that market principles, open trade and investment regimes, and effectively regulated financial markets foster the dynamism, innovation, and entrepreneurship that are essential for economic growth' (G20 2008, 1). Neoliberal ideas about competition were also evident in the language used to describe regulation, with the declaration suggesting that future regulation of the financial sector should 'support market discipline...and support competition, dynamism and innovation in the marketplace' (G20 2008, 2). Thus, although the stronger form of the free market fantasy was mostly eclipsed at the Washington G20, even the supposed critics of the neoliberal order retained key neoliberal goals of stable markets and economic growth, marginalising more substantive concerns with inequality or poverty, and implicitly preparing for the reshaping of the neoliberal fantasy at the subsequent G20 Summits.

Assessing the competing constructions of the crisis evident at the G20 summit, it is clear though that the neoliberal orthodoxy that predominated prior to the crisis had broken down. The neoliberal master discourse, which posited the efficacy of the free market as beyond reproach, was openly challenged by critical discourses holding the free market directly responsible for the crisis. Although fragments of the free market fantasy were still evident in Bush's attempt to hold the state responsible for the crisis, even Bush was eventually forced to concede that the

free market had to be abandoned in light of the crisis. However, as I have also argued, the onset of the crisis did not mark a wholesale abandonment of neoliberalism. Most crucially, the neoliberal economic vocabulary and its associated ontological presumptions were largely retained by both supporters and critics of neoliberal ideas in the crisis. Moreover, neoliberal goals such as economic growth and financial stability were treated as key indicators of the crisis, and implicitly prioritised in the various attempts to respond. The constructions of the economic foregrounded during the onset thus prepared the ground for the return of neoliberalism outlined in the following chapters.

Chapter 6 Response – Discourse of the University

This chapter examines the various constructions of the crisis in the period I broadly characterise as the ‘response’ phase, from after the Washington G20 (November 2008) up to and including the London G20 meeting (April 2009). Although emergency responses to the crisis were initiated both before and during the Washington G20, it was after Washington – when the initial panic of the crisis had begun to calm – that the substantive and long-term responses to the crisis were chiefly considered. During this period, the quantum of funds provided to bailout banks proved mostly effective in arresting the rapid decline in financial markets, although the effects of the recession on the real economy, felt in the form of unemployment and business failures, were increasing (Krugman 2012). Accordingly, world leaders and policy makers turned their attention away from the immediate problem of preventing financial failure, to instead focus on both the broader effects of the crisis, and the longer-term reform necessary to prevent a recurrence.

The previous chapter suggested that during the onset period, the ‘free market crisis’ was the dominant narrative, supplanting the attempts of the status quo narrative to construct the crisis within the confines of the free market master discourse. In the onset period neoliberal constructions of the economic appeared most vulnerable, and alternatives seemed not only possible, but at times almost inevitable. In contrast, during the response period neoliberal accounts re-emerged, offering interpretations of the crisis that differed from the initial master discourse, but that nevertheless attempted to develop a narrative of the crisis that was compatible with free market hegemony. I examine two different but complementary neoliberal narratives; firstly, the ‘true free market’ discourse, and secondly, the ‘free market university’ discourse.

According to the ‘true free market’ narrative, of which President Obama was the most compelling proponent, the crisis was caused not by the free market, but rather by the distortion

of the free market carried out chiefly during the Bush administration. By Obama's account, Bush's excessive deregulation had allowed the free market to 'spin out of control', stripping away the safeguards and regulation that Obama (2009a) argued were necessary features of a functioning free market. Obama and other advocates of this narrative therefore claimed that the crisis necessitated a return to the 'true' free market, in which the creative impulses of the market were guided by 'common-sense rules of the road' (Obama 2008c).

The second narrative that facilitated the return of neoliberalism in the response phase of the crisis took the form of a university discourse. In contrast to the pre-crisis master discourse, which took the infallibility of the free market as axiomatic, advocates of the university discourse could concede some limited failings of the free market during the crisis. Proponents of the 'free market university discourse' – mostly economists such as Gary Becker, but also some politicians – recognised market failure as part of the cause of the crisis, and even accepted the necessity of emergency measures such as bailouts that would otherwise contravene neoliberal principles. Having acknowledged limited market failures, proponents of the university discourse proceeded to argue from a position of supposed post-ideological objectivity that having taken the crisis into account, the balance of evidence still supported a return of the free market. I suggest that the functioning of the university form of free market discourse was crucial in the return of neoliberalism. Where the dogmatic master variant struggled to account for the crisis of the free market, the more detached and empirical university discourse could engage directly with the failings of the free market, presenting the return of the free market not as a political demand, but rather as the necessary conclusion of an impartial scientific cost-benefit analysis.

In the first section of this chapter, I outline the 'true free market' discourse, highlighting the role of Obama in crafting the initial return of the free market signifier. Obama's account of the crisis draws many parallels with Walter Lippmann's account of the Great Depression discussed

in chapter 3, according to which a distortion of the free market had led to the outgrowth of the state, and required the return of a balanced free market. In the second section, I consider the ‘free market university discourse’. I focus on the role of neoliberal economists in challenging the previous construction of the crisis as an exceptional and epoch defining event, suggesting that the university discourse was able to reconstruct the crisis as just another data point to be considered in conjunction with the broader body of historical evidence. In the third section, I consider the London G20 Summit, held in April 2009, as a key point in shaping the dominant narrative of the crisis. I find that, in contrast to the Washington G20, at the London G20 Obama’s narrative of the need to return to the ‘true’ free market had become increasingly prominent, while the demand for reform was increasingly communicated in a market-orientated neoliberal language. In the final section, I focus on the re-regulation of financial markets, initiated at the London G20, but completed by the Basel Committee on Banking Supervision (BCBS) in the form of the Basel III accords. In accounting for the failure of the Basel III accords to significantly change the rules of international finance, I foreground the operation of the university discourse, suggesting that the ‘macro-prudential framework’ suggested by the G20, and adopted by the BCBS, was constructed overwhelmingly within the confines of the university form of subjectivity.

6.1 The ‘True’ Free Market: Obama’s (first) Return of the Master Discourse

The election of President Obama in November 2008 was widely heralded as marking a definitive break in American capitalism. According to his opponents, Obama was a dangerous socialist who would destroy capitalism, with Republican Congressman Paul Broun warning that Obama would ‘establish a Gestapo-like security force to impose a Marxist dictatorship’ (Broun, comments in Evans 2008). Conversely, for his supporters, Obama was the next Franklin D. Roosevelt, with Paul Krugman (2008b) excitedly suggesting that ‘Franklin Delano

Obama' would reassert state control over the economy and build the foundations of an American welfare state. Yet these accounts of Obama as socialist revolutionary or Keynesian reformer had clearly not paid sufficient attention to what Obama himself had to say about the economy. Both during and after the election campaign, Obama made clear his support for the principle of the free market:

Americans have pursued their dreams within a free market that has been the engine of America's progress. It's a market that's created a prosperity that is the envy of the world, and opportunity for generations of Americans. (Obama, 2008b)

I am a pro-growth, free-market guy. I love the market. (Obama comments in Klein 2008a)

The market is the best mechanism ever invented for efficiently allocating resources to maximize production. And I also think that there is a connection between the freedom of the marketplace and freedom more generally. (Obama comments in Leonhardt 2008)

Nor is the question before us whether the market is a force for good or ill. Its power to generate wealth and expand freedom is unmatched. (Obama, 2009a)

Evidently, Obama did not reject the free market as master signifier of the economic. Rather, Obama attempted to re-fill the signifier with different content, a strategy that was most evident in his narrative of the GFC. In the previous chapter I noted that Bush had struggled to credibly account for the crisis within the confines of the neoliberal fantasy because of his previous claims to have presided over a free market government. Exploiting this inconsistency, Obama argued that the Bush administration had actually abandoned free market principles even prior to the crisis, and that Bush's rejection of the free market was the root cause of the crisis. Obama thus proposed a compelling reinterpretation of the facts of the crisis from within the ontological horizons of the neoliberal fantasy, focusing blame on Bush's transgressive government,

absolving the free market of complicity in the crisis, and opening up the political space to demand the return of the free market.

In substantiating his claim that Bush had rejected the free market, Obama offered arguments informed by public choice theory, a view of government originally developed by neoliberal thinkers James Buchanan and Gordon Tullock (see Buchanan and Tullock 1999). According to public choice theory, government actors and public servants remain rational utility maximising egoists, and will therefore continue to pursue their own self-interest while in government. For public choice theory, government is therefore structurally vulnerable to corruption and capture by special interests. Drawing on public choice logic, Obama claimed that Bush's lapse regulation of the financial sector was not a result of adherence to free market principles, but was rather evidence of state capture, suggesting that Bush had 'let special interests put their thumb on the economic scales', replacing the 'true' free market with 'a distorted market that creates bubbles instead of steady, sustainable growth' (Obama 2008a). In a contribution that is interesting both for its reconstruction of history and for its explicit recognition that Obama was himself crafting a narrative, Obama noted:

I think I can tell a pretty simple story. Ronald Reagan ushered in an era that reasserted the marketplace and freedom. He made people aware of the cost involved of government regulation or at least a command-and-control-style regulation regime. Bill Clinton to some extent continued that pattern, although he may have smoothed out the edges of it. And George Bush took Ronald Reagan's insight and ran it over a cliff. (Obama cited in Leonhardt 2008)

Here, Obama is discursively linking his own outlook to that of Reagan and Clinton, presenting Bush as the leader that deviated from free market principles and caused the crisis. Obama's discourse illustrates the manner in which a master signifier 'floats', taking on different meanings in different contexts, and reconfiguring the rest of the signifiers accordingly. Where

Bush had favoured a construction of the free market more similar to that of Milton Friedman, according to which regulatory policies by the state were impermissible interferences in the free market, Obama returned to a construction more similar to that of Walter Lippmann, in which the free market needed certain rules and constraints to run smoothly. Obama (2008b) claimed that the free market needed ‘rules of the road to make competition fair and open, and honest...[and that historically] we’ve done this not to stifle but rather to advance prosperity and liberty’. Obama’s account of the free market thus held Bush responsible for destroying the necessary rules of the road, with Obama (2008c) suggesting the crisis ‘is what happens when you confuse the free market with a free license to let special interests take whatever they get, however they can get it’. Obama’s rendering of the neoliberal fantasy therefore explicitly focused blame on the Bush administration and corrupt or incompetent state regulators, reconstructing the crisis within the neoliberal fantasy by suggesting that the transgressive state was the ultimate culprit.

Having determined that the state was responsible for the crisis, Obama (2009d) then proceeded to argue that the solution was the return of a ‘true’ free market, in which the government would create ‘a framework in which markets can function freely and fairly’. Summing up his claim that the free market was not responsible for the crisis, but needed fresh rules to function properly, in his Inauguration Address Obama (2009a) claimed:

Nor is the question before us whether the market is a force for good or ill. Its power to generate wealth and expand freedom is unmatched, but this crisis has reminded us that without a watchful eye, the market can spin out of control - and that a nation cannot prosper long when it favours only the prosperous.

Obama’s narrative of the crisis also allowed him to blame the Bush administration for the statist policy responses to the crisis that contravened free market principles. For instance, in an interview with David Leonhardt in which it was suggested that Obama’s policies constituted a

socialist response to the crisis, Obama reversed the accusation back onto the Bush administration by noting that ‘it wasn’t under me that we started buying a bunch of shares of banks. And it wasn’t on my watch that we passed a massive new entitlement, the prescription drug plan, without a source of funding... We’ve actually been operating in a way that has been entirely consistent with free-market principles’ (Obama comments in Leonhardt 2009). Obama’s narrative allowed him to focus the blame for both the crisis and the slow recovery on the previous administration and the transgressive state, while promising to return the free market that he claimed had delivered freedom and prosperity prior to its destruction at the hands of the Bush government. The ‘true free market’ narrative thus offered an interpretation of the crisis that fitted smoothly into the original neoliberal fantasy, in which the state was always the culprit, and the solution was a return to the historically successful free market.

The ‘true free market’ narrative was reproduced by a variety of political actors in both the US and UK. John McCain had briefly favoured a narrative of the crisis similar to that constructed by Obama, suggesting in April 2008 that ‘the foolish risk-taking of lenders, investment banks, and others that led to these troubles don’t reflect our free market as it should be working’ (McCain comments in Ward 2008). However, McCain’s version of the narrative was complicated by his own relationship, as a Republican Senator, with the Bush administration, with McCain struggling to account for how a supposedly free market government had allowed such a dramatic departure from the true principles of the free market. The ‘true free market’ narrative was also evident in contributions from other leading Democrats, such as House Speaker Nancy Pelosi. Pelosi (comments in Hulse and Herszenhorn 2008) followed Obama in claiming that Republicans ‘claim to be free market advocates, when it’s really an anything goes mentality’, and that ‘Democrats believe in a free market’ and would restore American prosperity. In the moment of discursive uncertainty triggered by the crisis, Pelosi was joining Obama in attempting to craft news chains of meaning relating to the free market, creating a

political narrative that would associate their party more closely with the master, and cast their opponents as antagonistically opposed to the free market.

In the UK, Prime Minister Gordon Brown faced a similar problem to Bush, as he attempted to simultaneously blame the free market for the crisis, defend his record in government and call for the renewal of the free market. As noted previously, in early 2009 Brown had celebrated the end of ‘the old era of unbridled free market dogma’, an inconsistent position given it was Brown who had presided as Chancellor over the previous decade of neoliberal reform. In April 2009, Brown again reversed his position, seeking to defend his ‘open, free market, flexible’ approach to globalisation, and claiming that the solution to the crisis was to ‘build anew a market system which respects the values we celebrate in our everyday lives’ (Brown comments in Parker and Giles 2009). Accordingly, Brown’s narrative of the crisis was largely discordant, and struggled to account for the events in a consistent and compelling narrative frame. Brown’s failure to coherently narrate the crisis allowed opposition leader David Cameron to replicate Obama’s discursive strategy, with Cameron claiming that Brown’s government had abandoned the principles of the free market, and was therefore responsible for the crisis. As Cameron (2008) put it, ‘we’ve had irresponsible capitalism presided over by irresponsible government...instead, what we need is responsible free enterprise, regulated and supported by responsible government’. Despite Cameron’s position as a right-wing politician critiquing a centre-left government, Cameron still maintained a discursive framing that claimed that the Labour government had gone too far in deregulating free markets, and, if elected, Cameron would return Britain to a more measured and regulated free market.

6.2 The University Discourse

Thus far I have focused on accounts that constructed the crisis according to the logics of the master and hysteric discourses. In this section, I turn to the various actors who attempted to narrate the crisis according to the discursive model of the university. As noted in chapter 2.2, the function of the university discourse is to support the master discourse by presenting the assertions of the master in the form of supposedly objective, value-neutral knowledge. For the neoliberal discourse, this meant presenting the need for deregulated markets and state retrenchment not through explicitly partisan arguments about freedom and order, but rather as the apparently objective and scientific conclusions of disinterested experts. The university discourse played a crucial role in the survival of neoliberalism in the crisis, by defusing calls for radical change, and ensuring that neoliberal ontological categories remained the basic concepts used to narrate the crisis. When the master discourse broke down, and could no longer explain the traumatic moment of crisis, it was the university discourse that was able to defend neoliberal ‘common sense’, and thereby prepare the groundwork for the eventual return of the master discourse. To badly misquote Gramsci, when the master discourse trembled, a sturdy structure of the university was at once revealed.

I document two main iterations of the university discourse in relation to the crisis. Firstly, during the immediate onset of the crisis, various neoliberal actors adopted the university mode of discourse to justify their support for the bailouts. Recognising that bailouts and nationalisations contradicted conventional neoliberal wisdom, proponents nevertheless maintained that the exceptional severity of the crisis necessitated a pragmatic and temporary departure from the usually sound principles of limited government and non-intervention. The second account of the crisis according to the university logic emerged in 2009, and directly challenged previous claims about the exceptionality of the crisis. Instead, proponents claimed that the crisis was a normal part of the cycles of capitalism, and, having taken the effects of the

crisis into account, concluded that the free market was still on balance the preferable economic system.

Crisis as exception

The first iteration of the university discourse can be located during the immediate onset of the crisis, in the period when the master discourse was struggling to account for both the causes of the crisis, and the need for policies that appeared to directly contradict neoliberal wisdom. As noted in chapter 5, providing public funds to bailout and nationalise failing corporations, and increasing public expenditure according to Keynesian counter-cyclical logics, could not be reconciled with the master variant of the neoliberal discourse, which had previously constructed these policies as impermissible interventions distorting the functioning of the free market. Crucially though, by adopting the discursive model of the university, neoliberal proponents of these policies could construct bailouts and fiscal stimulus as pragmatic and necessary departures from the otherwise sound neoliberal wisdom, justified by the severity of the crisis. My corpus demonstrates that supporters of the bailouts frequently invoked the notion of necessity, claiming that particular policies were not ideological choices or preferences, but were rather the only option given the circumstances. For instance, consider the following quotes from six US political actors who played crucial roles in justifying, crafting and implementing the bailouts:

[The bailouts] just happened dramatically. There was only one way that we could reassure the markets...there was no political calculus. It was overwhelmingly obvious.

Hank Paulson, US Treasury Secretary (comments in Parker 2008b)

There are no atheists in foxholes and no ideologues in financial crises.

Ben Bernanke, Chair of the Federal Reserve (comments in Parker 2008b)

Now is not the time for ideological purity. I'm a free market non-interventionist, but we face a crisis, and if we don't act, and quickly, we're going to jeopardise our economy.

John Boehner, Republican House Majority Leader (comments in Gulino 2008)

I think we were on the verge of an economic meltdown. This was a once-in-a-generation kind of a crisis, and I do believe the TARP was necessary.

Paul Ryan, US House of Representatives (comments in Wallace 2009)

It may be necessary to temporarily nationalize some banks in order to facilitate a swift and orderly restructuring. I understand that once in a hundred years this is what you do.

Alan Greenspan, Former Chair of Federal Reserve (comments in Trotta 2009)

The fact that we've had to take these extraordinary measures and intervene is not an indication of my ideological preference, but an indication of the degree to which lax regulation and extravagant risk taking has precipitated a crisis.

President Barack Obama (comments in Zeleny 2009)

Evident in these various contributions is the signifier of necessity, a construction of the bailouts that denies the agency of the different politicians, and presents the policies as an involuntary reaction to the crisis. Also clear is the post-ideological framework, with the contributors claiming that they are acting as pragmatic realists, putting aside ideological preferences to do what is 'obvious' and 'necessary'. As Žižek (2008) reminds us, it is precisely when a claim of post-ideological objectivity is made that we should be most aware of the functioning of ideology, concealed by the veneer of pragmatic realism. The claim of necessity functioned in the first place to foreclose the space for potentially more radical alternatives to bailouts, by framing the crisis as an event of such severity that 'normal' ideological debate had to be avoided, replaced by the decisions of 'selfless, sophisticated technocrats' (Freeland 2008).

Secondly, the necessity framing of the response to the crisis also limited more substantive discussions about the failure of neoliberalism in the crisis. By constructing the crisis as a ‘once in a hundred years’ event (Greenspan, comments in Trotta 2009), the particular set of policies and events responsible for the downturn were occluded, and the crisis instead constructed as an unpredictable, act-of-God style cataclysm. Crucially, this particular framing of the crisis was not possible within the confines of the master discourse – which could not accept that the free market could lead to a crisis, or should be even temporarily abandoned – but was made possible by neoliberal politicians and economists adopting the discursive mode of the university.

The construction of the crisis as an act-of-God, and the bailouts as an involuntary response, is also widely evident in media accounts of the crisis. Fox News host Fred Barnes (2008c) claimed that the bailout was ‘a necessary evil... designed to preserve a free market capitalist system and free market financial markets as best we can in a horrible circumstance’. Financial Times editorials suggested that ‘the government has been forced to use more than \$1,000bn worth of taxpayers’ funds to underwrite the banking world’ (Tett 2009), and that ‘future systemic moral hazard is of secondary importance when the system itself is at risk’ (Financial Times 2008). The claim here that the government has been ‘forced’ to act in a particular way conceals both the ideological nature of the government’s action, and the possibility of alternatives. The Financial Times also invoked the complexity of the crisis as a justification for the de-politicisation of the bailout, claiming that ‘the crisis is global, fast-moving and fiendishly complicated. It is precisely the sort of thing it takes selfless, sophisticated technocrats to fix’ (Freeland 2008). By presenting this crisis as beyond normal comprehension or political contestation, and in the domain of neutral technical expertise, this construction exemplifies the university construction of the crisis.

The university mode of discourse can also be frequently found in contributions to the New York Times. For instance, Edmund Andrews and Mark Landler (2008) presented the crisis as ‘a change in the economic environment so radical that, at least for a while, economic policy makers will need to suspend what are usually sacred principles: minimal interference in free markets, gradualism and predictability’. Similarly, concerning the bailout, Thomas Friedman (2008) wrote ‘it’s not fair. But fairness is not on the menu anymore...right now we need to throw everything we can at this problem to make sure this recession doesn’t spiral down into a depression’. There are interesting parallels here to the manner in which neoliberals have historically invoked a state of exception as a depoliticising frame to justify the implementation of neoliberal policies (see for instance Scheuerman 1997; Klein 2007; Irving 2018). In contrast to the previous cases, the state of exception here is declared to warrant a temporary departure from neoliberalism. The point of commonality is that exception is invoked to deny the political nature of the situation, and to cover up the antagonism and contradictions of the crisis. By presenting the crisis as an act-of-God, the university construction can justify whatever temporary measures are necessary to respond to the crisis, conceal the contradictions within the previously dominant neoliberal ideology, and therefore prepare for the later return to (neoliberal) politics as usual.

Crisis as not exceptional

If the first iteration of the university discourse stymied attempts at radical reform during the onset of the crisis, the second iteration – most evident in the first half of 2009 – prepared the ground for the return of neoliberalism. Whereas the first narrative had accepted the epoch-defining magnitude of the crisis, the university account of the crisis constructed in 2009 directly contested this claim, seeking to downplay the severity of the crisis, and therefore the need for change. In chapter 5, I noted that in the early stages the crisis was frequently compared to the

Great Depression (see for instance Obama 2008d; Krugman 2008c; Balls 2009; Bush 2009). Proponents of the university discourse such as Gary Becker sought to contest this framing, drawing on empirical evidence to bolster their claims. As Becker (2008) put it:

Although it is the most severe financial crisis since the Great Depression of the 1930s, it is a far smaller crisis, especially in terms of the effects on output and employment. The United States had about 25% unemployment during most of the decade from 1931 until 1941, and sharp falls in GDP. Other countries experienced economic difficulties of a similar magnitude. So far, American GDP has not yet fallen, and unemployment has reached only a little over 6%.

Having dismissed the Great Depression comparison, Becker and other commentators subsequently went even further in minimising the crisis, drawing on comparisons to more recent economic downturns. By September 2009, Becker claimed that ‘stripped of drama, the US recession is following the pattern of typical downturns. It is no worse than 1973-1974’ (Becker, comments in Evans-Pritchard 2009b; see also Henninger 2008; Becker and Murphy 2009). Placing the crisis in historical context defused demands for reform, challenging the sense of paradigmatic change projected by the opponents of neoliberalism. Drawing on historical context also allowed proponents of the university discourse to claim that crises and downturns were a natural part of capitalism, and a cost worth paying for the prosperity delivered by the free market. For example, then-London Mayor Boris Johnson (2008) claimed that ‘whatever the disasters of the sub-prime sector, these products allowed millions of Americans to own their homes’, adding that ‘before we get carried away with neo-socialist claptrap, we should remember the huge benefits brought to this country by bankers and the City of London’. Similarly, the Financial Times (2009) noted that ‘free trade and deregulated markets make for a wild ride and cause uncomfortable concentrations of wealth, but they remain the best means of spreading prosperity around the world yet devised’. Across the

Atlantic, the Wall Street Journal concurred that ‘Little or nothing that has occurred through this crisis discredits the system of free-market capitalism. Across several centuries of rising world incomes and social gains, the system has proved its worth’ (Henninger 2008). The posture in all these quotes is of the detached empiricist, weighing up the benefits and costs of the free market, and reaching the impartial conclusion that on balance, the free market is still favourable.

Another discursive trope evident in the university discourse was the claim that policy responses to the crisis should be delayed until a thorough and scientific analysis of the crisis could occur. For example, in a discursive account that typified the university mode of subjectivity, in March 2009 Philip Reny, chair of the University of Chicago economics department, claimed that policy responses to the crisis should occur only after the causes of the crisis had been scientifically accounted for. Denouncing the ‘speculation in the press’, Reny (comments in Cohen 2009b) claimed that ‘academia typically moves slowly and carefully and thoughtfully’, adding that ‘work needs to be done to figure out what really happened, which dominoes are in front and caused others to fall’. Here, the crisis is reduced to a scientific object of study, a depoliticising move that claims responses to the crisis should be worked out by supposedly neutral and scientific economists. In a similar contribution that constructs the crisis as object of scientific analysis, whilst also exhibiting many of the other key features of the university discourse, Gary Becker (comments in Cassidy 2010) claimed that:

I think the last twelve months have shown that free markets sometimes don’t do a very good job. There’s no question, financial markets in the United States and elsewhere didn’t do a good job over this period of time, but if I take the first proposition of Chicago economics—that free markets generally do a good job—I think that still holds. What I have always learned to be the Chicago view, and taught to be the Chicago view, is that free markets do a good job. They are not perfect, but governments do a worse

job. Again, in some cases we need government. It is not an anarchistic position. But in general governments do a worse job. I haven't seen any reason to change that other than, yes, we've seen another example where free markets didn't do a good job: they did a bad job. But to me there is no evidence the government did a good job either, leading up to or during the process

Becker's recognition of free market failure would be impossible from within the confines of the master discourse. Yet it is precisely his distancing from the free market, and his recognition of its flaws, that lends his account credibility. Rather than appearing as a free market ideologue, Becker postures as the rational scientist, guided only by the data to reach his empirical conclusions. The university mode of discourse thus shields from scrutiny the value positions implicit in the ontological categories used by Becker – chiefly, again, the division of political and economic reality into the binary of the free market vs. the state.

Also evident in Becker's quote is the narrative attempt to redirect blame from the free market onto the state. In a similar manner to Obama's 'true free market' narrative, which attempted to construct incompetent state regulators as the ultimate transgressor responsible for the crisis, the university discourse sought to blame state regulators for the outbreak of the crisis. As Niall Ferguson (2009) put it in the *New York Times*, 'the reality is that crises are more often caused by bad regulation than by deregulation', a construction also evident in the previous Becker quote. In contrast to the Obama narrative though, the university discourse could admit the limited failings of the free market, whilst still claiming that the body of evidence pointed towards more significant faults with the state. Accordingly, the university discourse lent empirical and scientific support to Obama's reconstruction of the neoliberal fantasy narrative, helping to reconstruct an account of the crisis in which the state remained the ultimate transgressor.

Instead of calling for the return to the ‘true free market’, the university discourse concluded with the apparently sober judgement that in spite of all its failings, the free market remained the best system of economic organisation available (see for instance Financial Times 2009). Again, it is worth quoting Becker at length to demonstrate the discursive construction that both recognised the failings of the free market, but claimed the balance of evidence mitigated against any alternative:

the destruction of wealth from the recession should be placed in the context of the enormous creation of wealth and improved well-being during the past three decades...of course, the performance of capitalism must include this recession and other recessions along with the glory decades. Even if the recession is entirely blamed on capitalism, and it deserves a good share of the blame, the recession-induced losses pale in comparison with the great accomplishments of prior decades (Becker and Murphy 2009)

6.3 The London G20 Summit

In this section I turn to the London G20 Summit, to examine the competing logics of the master, hysteric and university discourses in the various constructions of the crisis evident at the summit. With the Dow Jones Industrial Average having reached a new low in March 2009, and the contagion of the financial crisis spreading to affect GDP and employment rates, world leaders convened for a second meeting in London beginning 2 April 2009. Though the formulation of the response to the crisis had begun at the Washington G20, the clearest and most in-depth discussions of policy responses were evident at the London G20. The London G20 also marked a turning point in the dominant construction of the crisis, with the ‘true free market’ master discourse, and the technocratic university discourse, both rising in prominence

to challenge the hysteric's construction of the crisis that had predominated at Washington. Actors such as President Obama sought at London to reconstruct the facts of the crisis, offering reinterpretations that were more compatible with the contours of the neoliberal fantasy. Thus, the London G20 was a key discursive event that evidences the beginning of the return to dominance of the neoliberal discourse.

In contrast to the Washington G20, where leaders had projected international unity in the face of the rapidly developing crisis, conflicts over policy responses were far more apparent in London. Two areas in particular generated disagreements between the Americans and the Europeans; the demands for greater regulation of financial markets, and the need for more extensive fiscal stimulus (Sheel 2014, Helleiner 2014). European leaders such as Gordon Brown located the origins of the crisis in the deregulation of American financial markets, a discursive move which obscured their own complicity in financial deregulation, and allowed European leaders to present the crisis as an external contagion (see for instance Brown, comments in Summers 2009; see also King 2008). Accordingly, European leaders demanded stricter international regulation to prevent a reoccurrence of the crisis. The move for greater financial regulation was resisted by the Americans, who favoured a 'light touch' (Sheel 2014: 252) approach to regulation compatible with Obama's 'true free market' discourse. In contrast, the American's wanted a more expansive and coordinated international fiscal expansion to support the recovery of international trade. Yet by 2009, many European states were already deeply in debt, and argued that they had limited scope for further fiscal expansion. European states were also more likely to have larger welfare states with automatic stabilisers that increased public expenditure during the economic downturn, further diminishing their desire for more fiscal stimulus (Helleiner 2014: 80).

The subtle tension between the European and American response to the crisis was evident in key deliberations leading up to the London summit, such as at a pre-summit meeting held by

Gordon Brown and Barack Obama in March 2009. Brown's account of the crisis at the press conference exhibited elements of the hysteric's discourse, claiming that the crisis had originated in excessive American deregulation, and could only be fixed by increasing international regulation of the marketplace. As Brown (2009a) put it:

there's got to be deep regulatory change. We've just been talking, Barack and I, about the need for proper supervision of shadow banking systems, of areas where there was bank practices that were unacceptable, where remuneration policies got out of hand and weren't based on long-term success, but on short-term deals. And these are the changes that we've already announced that we are going to make.

In response, Obama did not directly contest Brown's claims, but instead sought to minimise the extent of regulatory changes required by invoking the principle of the free market. Drawing on the 'true free market' narrative, Obama (2009b) claimed:

There are a set of shared values and shared assumptions between us: That we believe in the free market, we believe in a government that is not overbearing and allows entrepreneurs and businesses to thrive, but we also share a common belief that there have to be sufficient regulatory structures in place so that the market doesn't spin out of control.

Here Obama is projecting the free market master signifier onto Brown's position as well as his own, seeking to diffuse more extensive calls for regulatory reform by instead offering 'sufficient regulatory structures'. Obama's discursive strategy of using the free market signifier to dampen calls for regulation was also deployed by Vice-President Joe Biden at a pre-G20 meeting in March 2009, where Biden warned that 'this is not a choice of markets or governments in my view. A free-market still needs to be able to function' (Biden, comments in Webber 2009).

Turning to the content of the World Leader's Statement published at the end of the London G20, my analysis finds evidence of the hysteric, master and university discourses, and therefore suggests that the London G20 was a site of significant discursive contestation regarding the correct interpretation of the crisis. The statement begins in the register of the hysteric, warning that 'we face the greatest challenge to the world economy in modern times; a crisis which has deepened since we last met, which affects the lives of women, men, and children in every country' (G20 2009a: 1). The statement then pivots towards Obama's 'true free market' discourse, affirming that 'we believe that the only sure foundation for sustainable globalisation and rising prosperity for all is an open world economy based on market principles, effective regulation and strong global institutions' (G20 2009a: 1). Already we can see the return of the neoliberal fantasy logic, with the affirmation of market principles as the solution to the crisis. Although the construction here is different from the unchallenged hegemony of the free market prior to the crisis – the commitment to market principles co-exists with the demand for 'effective regulation' – any substantial challenge to the market as dominant economic signifier has already been foreclosed. Further, as noted in chapter 6.1, the demand for 'effective regulation' was entirely compatible with Obama's rendering of the 'true free market' in which sensible 'rules of the road' would guide the otherwise liberated market.

The reference to market principles constrained by effective regulation can also be read as evidence of the university discourse. Precisely what constitutes 'effective' regulation is not specified in the statement, but is deferred, to be determined by future experts at the Basel Committee on Banking Supervision. 'Effective' as a descriptor therefore floats; for Obama, who favoured 'light touch' regulation, 'effective' regulation referred to very limited forms of re-regulation, while for many of the European leaders, 'effective' regulation signified more significant and stringent international regulatory standards. Evidencing the university form of subjectivity, the statement does not take a partisan position on what exactly constitutes

effective regulation. Rather, it treats the questions as an objective scientific puzzle, to be studied and assessed by experts at a later date. The university discourse therefore shields from scrutiny the ideological presumptions that will inform the later ‘expert’ adjudication.

The Leader’s Statement then turns to the more immediate response to the crisis, pledging to ‘do whatever is necessary to restore confidence, growth and jobs; repair the financial system to restore lending; [and] strengthen financial regulation to rebuild trust’ (G20 2009a: 1). The invocation of necessity again indicates the university discourse, circumventing the normal process of political contestation by claiming that the severity of the crisis necessitates a particular response. Also evident is the fantasy logic of restoration of a lost past. Rather than suggesting substantive change, which had been foreshadowed to an extent at the Washington G20, the leaders now want to ‘restore’, ‘repair’ and ‘strengthen’ the pre-existing financial system.

The Leader’s Statement then turns to the more specific measures to respond to the crisis, beginning with fiscal stimulus. The leaders agreed to ‘an unprecedented and concerted fiscal expansion, which will save or create millions of jobs...that will, by the end of next year, amount to \$5 trillion [and] raise output by 4 per cent’ (G20 2009a: 2). Additionally, the statement notes that:

Our central banks have pledged to maintain expansionary policies for as long as needed and to use the full range of monetary policy instruments, including unconventional instruments, consistent with price stability (G20 2009a: 2).

As noted in chapter 5.3, the proposal to use fiscal expansionary policies to reverse a downturn in aggregate demand challenges certain neoliberal understandings of the economy, even if the precise means by which the expansion will be achieved – via tax cuts or raised expenditure – is not detailed in the statement. The addendum to the passage requiring that measures be

‘consistent with price stability’ is more significant though, reintroducing the neoliberal concern with the inflationary effects of government expenditure. One possible literal reading of this passage would be that no fiscally expansionary measures will actually be pursued, because by neoliberal logic fiscal expansion is *prima facie* inconsistent with price stability. This submerged meaning is again evidence of the university discourse; the statement does not assert outright that fiscal expenditure is harmful, but leaves open the possibility that, after further study, economic experts might disallow particular fiscal measures because they are incompatible with the more important goal of price stability. Thus, this passage should be read as evidence of the ongoing discursive contestation regarding the crisis, with the hysteric’s insistence on ‘exceptional action’ side by side with the university’s warning regarding price stability. The purpose of the fiscal stimulus is also made clearer in the next sentence, which claims that ‘our actions to restore growth cannot be effective until we restore domestic lending and international capital flows’ (2009a: 2). Against demands for more systemic change, the statement is here making clear that restoring the free flow of capital, and therefore the functioning of markets, is the underlying justification for the emergency measures.

The Statement then turns to the topic of the bank bailouts, noting ‘we have provided significant and comprehensive support to our banking systems to provide liquidity, recapitalise financial institutions, and address decisively the problem of impaired assets’, adding that ‘we are committed to take all necessary actions to restore the normal flow of credit’ (2009a: 2). The register of the university is apparent here, both in the repeated invoking of ‘necessary actions’, and in the desire to restore the ‘normal’ flow of credit. Foreclosing the possibility of alternatives, the goal here is to return the banking system to ‘normal’, a construction that naturalises the inequitable and unstable system of finance that existed prior to the crisis. The ingrained neoliberal social ontology shaping the worldview of the various political actors is particularly apparent here, as despite the clear demand for change articulated elsewhere in the

statement and at the summit, it fails to consider alternatives beyond the horizon of market and state, affirming the market as the dominant structure in economic relations.

The re-emergence of the neoliberal master discourse is strongly evident in the next section of the statement, titled 'Restoring growth and jobs', which introduces for the first time a concern with the amount of debt accrued, and the need for future fiscal consolidation. Reflecting that the combination of fiscal stimulus and bailouts 'will constitute the largest fiscal and monetary stimulus and most comprehensive support programme for the financial sector in modern times', the statement affirms an 'unshakable commitment' to 'preserving long-term fiscal sustainability' (G20 2009a: 2). Foreshadowing the turn to austerity that emerged more substantially in later summits, the statement adds 'we are resolved to ensure long-term fiscal sustainability and price stability and will put in place credible exit strategies' (G20 2009a: 2). As I noted in chapter 5.3, the logic of a post-crisis fiscal consolidation is not strictly neoliberal, and could also be compatible with the Keynesian prescription to spend in the downturn and save during the boom. The construction of future policies of fiscal consolidation should be read at this point as indeterminate and potentially ambiguous, leaving open the possibility of a social democratic and Keynesian future, but also of a return to neoliberalism. What points more strongly to the return of neoliberal logics is the enduring concern in the statement with the restoration of economic growth, free trade and financial stability. I noted that even at the Washington G20 the supposed critics of the neoliberal order measured the severity of the crisis by reference to the neoliberal goals of stable markets and economic growth, and it is therefore unsurprising that the measures considered at London were chiefly concerned with restoring market profitability and capital flows.

The next set of reforms discussed in the statement was the need for 'strengthening financial supervision and regulation' (G20 2009a: 3). Here, the statement began by noting that 'major failures in the financial sector and in financial regulation and supervision were the fundamental

causes of the crisis' (G20 2009a: 3). In contrast to the Washington Declaration, which foregrounded the irresponsible lending practices of banks, this formulation also directs focus onto the failings of state regulators. Again, there is an ambiguity in the construction of failures 'in financial regulation and supervision'. One possible reading, in line with the hysteric's discourse, is that state regulators failed because of their free market approach to regulation, which left the financial sector free to engage in the irresponsible lending practices that caused the crisis. An alternative reading, in line with Obama's 'true free market' discourse, is also possible, in which the failure of financial regulators is actually treated as a failure of the state, and as evidence of the need to return to a 'true free market' approach to regulation. By concentrating blame on the transgressive state, the second reading is compatible with the neoliberal fantasy logic, absolving the market of complicity in the crisis. The 'true free market' reading of the statement is also supported by the subsequent paragraphs discussing regulatory reform, which foreground the need for the new regulatory regime to support market principles. The statement suggests that:

Regulators and supervisors must protect consumers and investors, support market discipline, avoid adverse impacts on other countries, reduce the scope for regulatory arbitrage, support competition and dynamism, and keep pace with innovation in the marketplace (G20 2009a: 3)

The language of regulation used here draws on a clearly neoliberal vocabulary of market discipline, competition and innovation. As previously noted, the details of the regulatory reform proposed were deferred, with the London G20 tasking the Basel Committee on Banking Supervision to 'review minimum levels of capital and develop recommendations in 2010' (G20 2009b: 2), to 'work on improving incentives for risk management of securitisation' (G20 2009b: 2), and to review 'the role of external ratings [i.e. credit rating agencies] in prudential regulation' (G20 2009b: 6). The role of the Basel Committee in obstructing substantive reform

of the financial system is discussed in the next section, but for now it is important to note the role of the university discourse, in which important reforms were delayed, and subject to further study by the established financial ‘experts’ of the Basel Committee.

The remainder of the London Statement considers two more proposed policy responses; strengthening global financial institutions, and preserving free trade. Focusing on the role of the IMF, the world leaders pledged to make \$850 billion available to international financial institutions to ‘finance counter-cyclical spending, bank recapitalisation, infrastructure, trade finance, balance of payments support, debt rollover, and social support’ (G20 2009a: 5). Displaying the discursive indeterminacy evident in the statement, some of these measures are contrary to neoliberal accounts of the economy, particularly the suggestions to increase public expenditure on infrastructure and social support. Other measures are more compatible with the IMF’s previous role in supporting neoliberal hegemony, with the statement affirming support for the IMF’s ‘reformed lending and conditionality framework’, a framework that had previously played a significant role in enforcing neoliberal policy reforms in developing countries (Klein 2007). The statement also adds that the resources made available to the IFI’s should be ‘used effectively and flexibly to support growth’ (G20 2009a: 5), a construction that leans towards the university discourse, creating a posture of pragmatic flexibility that ultimately permits the IMF ‘experts’ to act as they see fit in the pursuit of economic growth.

The section of the statement titled ‘Resisting protectionism and promoting global trade and investment’ evidences the most unequivocal return of the neoliberal discourse. Drawing on the university discursive trope of placing the crisis in a historical context of rising prosperity, the statement claims ‘world trade growth has underpinned rising prosperity for half a century’, and that accordingly ‘reinvigorating world trade and investment is essential for restoring global growth’ (G20 2009a: 6). The neoliberal fantasmatic logic is apparent here, with the statement promising to ‘restore’ the historic growth and prosperity interrupted by the crisis. In a

neoliberal account of the benefits of free trade, the leaders promise that ‘we will not retreat into financial protectionism, particularly measures that constrain worldwide capital flows’ (G20 2009a: 7). The role of international capital flows in spreading the contagion of the financial crisis is here entirely ignored, as are the detrimental effects of ‘free’ trade policies on many developing countries. Instead, the statement commits to protect the free flow of capital, and therefore the financial interests of the banking sector.

The final section of the statement, entitled ‘Ensuring a fair and sustainable recovery for all’, is the only section of the statement that substantially considers ‘the human dimension to the crisis’ (G20 2009a: 8). The statement acknowledges that ‘the current crisis has a disproportionate impact on the vulnerable in the poorest countries and recognises our collective responsibility to mitigate the social impact of the crisis to minimise long-lasting damage to global potential’ (2009a: 7). The commitment to minimise damage to ‘global potential’ can be read in both a neoliberal and anti-neoliberal register; in the economist’s vocabulary, global potential refers to the capacity for GDP and capital growth endangered by the economic downturn, while a more substantive reading of global potential that encompasses education, life expectancy or general human flourishing is also possible. The decision to ‘provide \$50 billion to support social protection, boost trade and safeguard development in low income countries’ (G20 2009a: 8) is equally ambiguous, although the significance of the commitment pales in comparison with the \$750 billion provided to the IMF to support global capital flows. The desire to ‘build a fair and family-friendly labour market...through active labour market policies’ (G20 2009a: 8) is perhaps the strongest rejection of neoliberal logics, which instead favour passive labour market policies minimising government involvement in the employment market. However, the particular details of the active labour market policies are deferred for future study, opening up further potential avenues for the return of neoliberal forms of governance.

The declaration ends with a commitment ‘to translate these words into action’ (G20 2009a: 9). From the Lacanian perspective adopted here, the most crucial action had clearly already occurred. Foreclosing the possibilities of radical change, the statement remains deeply embedded within a neoliberal social ontology, in which the entire horizon of the political is made up of the binary pairing of market and state. Within the binary of market and state, the statement does contain certain ambiguities surrounding the origins and response to the crisis, evidencing the ongoing process of discursive contestation. Nevertheless, the London G20 Statement provides strong evidence for my thesis that critical discourses in the crisis constituted themselves according to the logic of the hysteric, terminally constraining their ability to substantively challenge the neoliberal status quo. Of particular significance was the role of the university discourse, which stymied calls for radical change by framing reform as a necessarily scientific, rather than political process. The role of the university discourse in preventing substantive reform of financial regulation is considered in more depth in the next section.

6.4 Financial Regulation and the Basel III Accords

Of all the areas of reform considered at the G20, the re-regulation of the financial sector appeared the most likely case for substantive change (Helleiner 2014). Both narratives critical of neoliberalism, and those that sought to defend the free market, recognised that the irresponsible actions of individual banks had been a major cause of the crisis, and that at least some level of reform was required. Public opinion polling also demonstrated substantive and consistent public support for strengthening regulation of the financial sector (Young and Yagci 2019). Reflecting the hostile landscape of public opinion, even the banking advocacy groups largely admitted the need for reform. For example, in a letter to the G20, the Institute of International Finance, the leading lobby group for international banks, admitted that ‘the financial services industry is keenly aware that weaknesses and failures in certain of our

business practices contributed to a grave and costly crisis, and is committed to doing our part to restore financial stability' (IIF cited in Reuters 2009). The combination of popular outrage, political will and corporate remorse led many to believe that the G20 would be successful in its attempts to reform financial regulation (Helleiner 2014: 92).

The final result of the G20 reform process – the Basel III International Regulatory Framework for Banks – is now widely regarded as a failure (Lall 2012; Helleiner 2014; Young and Yagci 2019). At the London G20, world leaders delegated the reform process to the Basel Committee for Banking Supervision (BCBS), the body that had previously drafted the Basel II Accords to regulate finance prior to the crisis. The Basel III Accord was agreed in November 2010, and included a number of reforms including higher capital ratios for banks, the introduction of a leverage ratio, and increased surveillance of hedge funds. Subsequently though, the content of the accord has been watered down, with the required capital ratios for banks repeatedly reduced, and the required date of compliance postponed first from 2013 to 2015, subsequently to 2019, and, as of date of writing, to 1 January 2022. Even more concerning for critics of the Basel III Accord is two crucial flaws in regulation preserved from the pre-crisis regulatory system. Firstly, the Basel III Accord continues to allow the largest international banks to use their own internal models to calculate required capital ratios, essentially allowing banks to sidestep the regulation (Lall 2012; Helleiner 2014). Secondly, the accord also preserves the prominent role of credit rating agencies in estimating the risk attached to financial products. The conflict of interest in banks paying credit rating agencies to assess their risk was extensively highlighted as a cause of the crisis (Stiglitz 2010: 111; Helleiner 2014: 107), yet the centrality of credit rating agencies in financial regulation remained unchanged by the Basel III accord.

There is a large academic literature assessing the reasons for the failure of the Basel III Accords, or what Young and Yagci (2019: 313) call 'the post-crisis stasis puzzle: why has there

not been more substantial reform of financial governance since the greatest economic catastrophe in 80 years?’ Particular attention has focused on the notion of regulatory capture, with various contributors suggesting that the Basel Committee, which lacked accountability to any publicly elected body, was vulnerable to capture by the interests of the banking industry (Lall 2012; Cohn 2019). James Kwak (2014) provides a useful account of regulatory capture foregrounding the concept of ‘cultural capture’, which suggests that the shared culture built up over time between regulators and regulated implicitly biased regulators to the interests of the financial sector. The regulatory capture literature also highlights the privileged epistemic position held by the largest banks, whose resources and understanding of the financial system far exceeds that of the regulators, providing a significant advantage for the banking sector in discussions of regulation (see Lall 2012; Helleiner 2014; Kwak 2014; Cohn 2019). The literature on the banking industry and regulatory capture thus makes a convincing case that the Basel Committee was an institution keenly vulnerable to regulatory capture, and that within the BCBS process, the institutionally privileged voices of the banking industry were able to prevent significant changes to regulation of the financial sector. As Lall (2012: 626) puts it, ‘despite the immense political will behind an overhaul of global capital standards following the crisis, large international banks once again managed to seize control of the regulatory process’.

Accepting the general consensus in the regulatory capture literature that the BCBS produced regulation that overwhelmingly favoured the interests of the banking sector, my contribution here is to build on notions of ‘material’ and ‘cultural’ capture by developing the concept of ‘epistemic capture’. More than merely a shared material interest or culture between regulators and regulated, my contention is that the BCBS and the banking industry shared a particular conception of reality, and a set of tools for understanding that reality; namely, the understanding of reality I have described as the neoliberal university discourse. I demonstrate

that rather than being a site of political contestation between competing material interests, the BCBS constructed itself as a site of objective scientific research, in which the concealed neoliberal presumptions of market efficiency would inevitably lead to a set of proposals that maintained the fundamental contours of the financial architecture that predominated prior to the crisis. I also demonstrate that the G20 world leaders accepted the epistemic authority of the so-called financial ‘experts’ – that is, mostly the financial analysts and economists working in the banking industry – and therefore determined that the process of financial reform should take place under the remit of the banking industry experts at the BCBS. Lacking the necessary knowledge, the G20 felt it had no alternative but to defer to the experts, foreclosing the possibility of substantive reform by leaving the reforms in the hands of an epistemic community informed by deeply neoliberal presumptions. Crucial then to the failure of the Basel III Accords was the fact that the key actors involved, at the G20 and the BCBS, constructed their conception of reality according to the neoliberal university discourse.

The G20 Declaration on Strengthening the Financial System

The most significant document produced by the G20 on the topic of financial regulation was the *Declaration on Strengthening the Financial System*, drafted at the London G20. The Declaration began with a clear imperative to ‘strengthen regulation and supervision in line with the commitments we made in Washington to reform the regulation of the financial sector’ (G20 2009b: 1). However, despite the stated intention to reform the financial system, the declaration quickly moved into the language of the university discourse. The document favoured the implementation of ‘prudential regulation’, suggesting regulators should ‘develop macro-prudential tools’ to monitor the build-up of risk in the financial system (G20 2009b: 2-3). The content of what exactly constitutes ‘prudential’ regulation was deferred for further study by the BCBS, concealing any potential political disagreements between world leaders regarding the

precise form of new regulation, and instead presenting the process of regulation as a scientific endeavour, best delegated to the financial experts. The adoption of the prudential regulation approach foreclosed the possibility of disagreement, as naturally no one at the summit could advocate for the alternative – presumably, ‘imprudential’ regulation. The Declaration evidenced a similar discursive approach regarding the regulation of the largest banks that had triggered the crisis, suggesting that ‘all systematically important financial institutions, markets, and instruments should be subject to an appropriate degree of regulation and oversight’ (2009b: 3). Again, rather than engaging with the explicitly political debate of what constitutes an ‘appropriate degree’ of regulation, the declaration recursively adopted the position of the university discourse, hiding the disagreement behind the notion of ‘appropriate’ regulation, the exact content of which was deferred for future study.

The declaration also noted the need to regulate hedge funds and credit rating agencies given their roles in creating the crisis, but the potential for significant reform in these areas was constrained by the use of the university discourse. Regarding hedge funds, the declaration noted that ‘hedge funds or their managers will be registered and will be required to disclose appropriate information on an ongoing basis to supervisors or regulators’, and further that ‘they will be subject to oversight to ensure that they have adequate risk management’ (G20 2009b: 3). The concern with disclosing ‘appropriate’ information and developing ‘adequate’ risk management illustrated the lack of concrete proposals, necessitating that the exact content of hedge fund regulation also be determined at a later date in a different forum. Finally, regarding the credit rating agencies, the declaration ‘agreed on more effective oversight of the activities of Credit Rating Agencies, as they are essential market participants’ (G20 2009b: 6). The formulation here maintains the open-ended construction of future regulation – ‘effective oversight’ can alternatively be interpreted as stricter supervision, or a light-touch neoliberal approach, depending on one’s perspective on what constitutes effective regulation – whilst

simultaneously affirming the importance of privatised credit rating agencies in managing financial risk. The content of the new regulation is once more deferred to the Basel Committee, which is tasked to ‘take forward its review on the role of external ratings in prudential regulation and determine whether there are any adverse incentives that need to be addressed’ (G20 2009b: 6).

The concern with strengthening market participants and addressing adverse incentives is the strongest evidence that the account of financial regulation in the declaration is shaped by a neoliberal understanding of the economic. Though the master discourse construction, which draws on the explicitly political language of freedom and material prosperity, is entirely absent from the declaration, deep-rooted neoliberal presumptions about the importance of the market as the organising structure of the economic, and the role of the state in correcting adverse incentives to allow the market to function, shape the declaration. In a context in which the more explicitly pro-free market master discourse had been temporarily discredited by the crisis, the university discourse was able to preserve key neoliberal categories of analysis, mitigating against more substantive reforms that challenged the centrality of the market. Lacking a counter-hegemonic discourse that could offer a new discursive fixation, world leaders fell back onto the neoliberal university discourse as the only available vocabulary which could communicate their desire for reform. Offering pragmatic constructions of ‘prudential’ reform that all could agree to, while still drawing on concealed neoliberal presumptions in its construction of the economic, the university discourse became the dominant discursive frame in G20 discussions of financial regulation, stymieing radical demands for change through the pragmatic deferral of reform proposals to the supposedly disinterested, objective experts who had controlled financial regulation prior to the crisis.

The Basel III Accords

In the previous section, I suggested that the most important political moment in preventing regulatory reform was the supposedly ‘de-politicising’ decision to locate the regulatory process within the remit of the Basel Committee on Banking Supervision. In this section, I focus more closely on the Basel Accords, demonstrating that the neoliberal university discourse was the hegemonic discursive frame used during the Basel III process. I suggest that in addition to notions of material and cultural capture, we must also consider epistemic capture, as the reform process took place within an epistemic community grounded in neoliberal presumptions about the nature of the economy and regulation.

The Basel Committee began drafting proposals for reform after the London G20 in April 2009, and by December 2009 produced the first draft for public comment. Entitled *Strengthening the Resilience of the Banking System*, the document made clear from the outset that in contrast to the G20, the BCBS was far more sympathetic to the interests of the banking sector. The draft document consisted of ‘proposals to strengthen global capital and liquidity regulations with the goal of promoting a more resilient banking sector’ (BCBS 2009: 1), making clear that the objective of the reforms was to strengthen, rather than constrain, the financial industry. Demonstrating a perspective that framed banks as crucial and beneficial actors in the global economy, the draft document noted that:

A strong and resilient banking system is the foundation for sustainable economic growth, as banks are at the centre of the credit intermediation process between savers and investors. Moreover, banks provide critical services to consumers, small and medium-sized enterprises, large corporate firms and governments who rely on them to conduct their daily business, both at a domestic and international level. (BCBS 2009: 1)

Turning to the specifics of the proposals for ‘macroprudential’ reform, the Committee suggested five key areas of reform (BCBS 2009: 2-3). Firstly, and most significantly, the Committee proposed to increase the amount of capital banks were required to hold, thereby creating a fund to cover potential losses and prevent banking failures. Secondly, the risk coverage of the capital framework of Basel III was strengthened, in a move that was intended to prevent risk exposure spreading between banks through over-the-counter derivative products. Thirdly, the Committee proposed the creation of a leverage ratio, as a supplementary measure to prevent banks circumventing the capital ratio. Fourthly, the committee proposed a series of macro-level measures intended to encourage the build-up of counter-cyclical capital buffers across the economy. Finally, the Committee also suggested improving liquidity standards for banks, meaning that banks would have to demonstrate the ability to access funds more rapidly to cover losses in the event of a financial downturn.

Taken together, these proposals were intended to reduce risk taking in the financial sector and encourage banks to hold more capital to cover their losses. Although the measures in the draft report would have led to some changes in financial practices, far more significant were the measures omitted by the Basel Committee. The ability of banks to use their own internal risk models to calculate their capital ratios had been highlighted as a major cause of the crisis (Lall 2012: 614), as had the inherent conflict of interest in banks paying privatised credit rating agencies to assess the risks of their products (United States Senate Permanent Subcommittee on Investigations 2011: 5-7, 243-317). Although the Basel Committee noted the problematic incentives involved in these practices, it ignored calls for reform, rejecting the ‘extreme alternative’ of regulators applying arbitrary ratios based on asset classes (BCBS 2009: 55). Though the justification was not made explicitly clear, here the Committee was guided by neoliberal ideas about market efficiency, rejecting the possibility that the regulator had the necessary knowledge to calculate capital ratios, and instead leaving the decision up to market

actors. Illustrating the hierarchy of knowledge typical of the university discourse, the BCBS deferred to the expertise of 'the market', which in practice meant the specialised financial knowledge of the banks.

Other more radical reform proposals considered in the aftermath of the crisis were ignored by the BCBS. For instance, proposals to create controls over international capital flows to prevent the spread of financial contagion, or to introduce a 'Tobin tax' on financial transactions to reduce speculation, were entirely neglected. Similarly, the Committee did not consider proposals to break up the largest international financial institutions, which would have addressed the problem of the 'too big to fail' banks that required taxpayer bailouts during the crisis. Rather, the initial draft proposal produced by the BCBS was guided by a 'macroprudential' approach which largely preserved the centrality of the financial sector in the global economy, and the independence of the largest banks to invest and take risks as they saw fit. As Helleiner (2014: 128) puts it, 'macroprudential ideas in fact provided policymakers with a perfect cover for responding to the demands for tighter regulation but in a manner not too radical from the viewpoint of the financial sector'.

Though I have suggested that the initial proposal from the Basel Committee failed to substantively challenge 'the 'market-friendly' content of international standards' (Helleiner 2014: 93), there were still elements of the proposals that elicited strong opposition from the banking sector. Most notably, increasing capital ratios was strongly opposed by the banking lobbyists, because although the increase to the ratios was small, 'for institutions with sizeable asset bases, a tiny percentage of reduction in capital requirements can present a windfall of billions of dollars' (Lall 2012: 611). Following the release of the proposals, various banking lobbyist groups mounted a strong campaign against the reform, suggesting that the increase to capital ratios would reduce lending, and therefore harm the overall economy. The arguments put forward by the banking lobbyists clearly adopted the discursive model of the university,

claiming to put aside their personal material interest in the reform, and instead argue that from an objective standpoint the reforms would result in a net harm to the economy.

In its report released in response to the proposals, the banking lobby group the Institute of International Finance typified the university discursive stance, recognising the need for reform in ‘response to the excesses’ of the banking industry, adding that ‘it is certainly not the objective of this report to resist the fundamental case for deep-seated reform. Rather, our objective is to put a firmer number on what that ‘cost worth paying’ may turn out to be’ (Institute of International Finance 2010: 3). Instead of presenting the debate over financial reform as a political conflict between competing interests, the IIF constructed the problem as a scientific pursuit, in which the costs of the reform need to be objectively weighted up against the benefits. Drawing on financial models informed by neoliberal presumptions about market efficiency, the IIF report concluded that the reform would result in an overall GDP loss of 3% over 5 years for the US and European economies and a corresponding loss of nine million jobs, declaring that it was up to the regulators to determine whether that was a ‘cost worth paying’ for the potential benefits of increased macroeconomic stability. In a similar report presented to the BCBS, the largest bank in the Eurozone BNP Paribas found the GDP loss could be as high as 6% over five years, concluding that the reforms therefore constituted ‘an overreaction from the G20 and the regulators’ (Quignon 2011: 20).

Though these figures for GDP losses were widely regarded as an exaggeration (Elliott 2010a), crucially the banking lobby’s approach to assessing the reforms – weighing up figures for GDP loss compared with the less quantifiable benefits of macro-stability – was widely adopted by the BCBS and other participants in the reform process. For instance, in its report on the Basel III Accord, the influential US-based thinktank the Brookings Institution weighed up the ‘positive side’ of a safer financial system against the cost that ‘banking services will become more expensive and harder to obtain’, suggesting that ‘the real argument is about the degree,

not the direction' of the reforms (Elliott 2010a). Although the Brookings report concluded that the 'cost would seem to be considerably outweighed by the safety benefits' (Elliott 2010a), the report had adopted the epistemic framing of the banks, in which the question of re-regulation was reduced to a scientific cost-benefit analysis of slightly higher capital ratios, and more ambitious reforms entirely excluded. Also of interest here is a report produced by the OECD assessing the effects of increased capital ratios on the banking sector. Like the Brookings Report, the OECD report weighed up the costs and benefits of increased banking regulation, but concluded that on balance the distorting effects of the regulation outweighed any potential benefits. More explicitly drawing on the logic of the neoliberal fantasy – that is, the logic that any failure by the market must be the result of the interfering state – the OECD found that previous 'capital regulation might have contributed to or even reinforced adverse systemic shocks that materialised during the financial crisis' (Slovik 2012: 5), and hence that the 'new liquidity regulations, notwithstanding its good intentions, is another likely candidate to increase bank incentives to exploit regulation' (Slovik 2012: 10). Here, the construction of supporters of regulation as well-meaning but naive fools typifies the discursive posture of the university, with the OECD report suggesting that their expertise had allowed them to determine the unexpected costs of the regulation. In a construction that evidences the increasing return of the master discourse, the OECD report concluded that the Basel III Accords 'can only perform well in synergy with the market' (Slovik 2012: 10).

In response to the various critiques of the original proposal, the Basel Committee largely accepted the demands of the banking lobby. The amended rules, which were published in December 2010, reduced capital ratios and deferred implementation in line with the suggestions of the banking lobbyists (Lall 2012: 632). Although the BCBS did not necessarily accept the 3% GDP loss figure proposed by the IIF – the BCBS's own analysis suggested a GDP loss over five years of 0.38% (BCBS 2010: 13) - they nevertheless accepted the university

framing of the reforms as an exercise in cost-benefit analysis, and therefore determined that reducing capital ratios would reduce the overall cost of the reform. After further lobbying from the banks the BCBS again amended the accords in 2011 to further reduce capital ratios, and to defer implementation to 2015 (Lall 2012: 630). Subsequent meetings of the BCBS repeatedly deferred implementation, such that as date of writing the full accords have still not been implemented. Hence, even the mild proposals for reform that had survived the transition from the G20 to the BCBS were largely thwarted, allowing the banking sector to essentially return to business as usual once the worst of the crisis was over. As noted, the failure of the reform within the BCBS process has been accounted for with reference to institutional and timing factors in the regulatory capture literature. My contribution here has been to highlight that the symmetries between the language of the BCBS and that of the banking lobby goes beyond a simple material or cultural capture, and instead points to a shared set of epistemic tools for making sense of economic reality, informed by the neoliberal university discourse.

In concluding this section, I want to note a theoretical curiosity that can help to shed further light on the hegemony of neoliberal ideas, namely, the prominence of the concept of ‘regulatory capture’ in the literature on banking regulation. Interestingly, though regulatory capture is now frequently used in literature critical of neoliberal deregulation, the concept of regulatory capture originated in neoliberal thought. Most notably, George Stigler developed the notion of regulatory capture as an argument in favour of deregulation. By Stigler’s (1971: 3) account, ‘as a rule, regulation is acquired by industry and is designed and operated for its benefit’. The implication, for Stigler, is that as far as possible regulation should be abolished, as it will always be captured and modified to favour the most powerful market actors (see also Posner 1974). Other neoliberal accounts, such as that of Gary Becker (1983), suggest that when complete deregulation is not possible, regulators should be made as independent and insulated from political influence as possible, a de-politicising move that is intended to allow independent

regulators to develop purely ‘neutral’ regulation of the marketplace. From a neoliberal perspective, evidence of regulatory capture in the financial industry renders the obvious conclusion that banking regulation is vulnerable to capture by the largest firms, and so should be either abolished, in line with Stigler’s recommendations, or at least insulated from political influence, to create a level playing field for all market participants. Indeed, evidence that regulation is designed to favour the largest banks can be readily found in the post-crisis literature on regulatory capture – for instance, Lall (2012) and Cohn (2019) both note that in allowing the largest banks to use their own internal models to estimate credit ratios, while forcing smaller banks to rely on the regulator’s arbitrary and therefore higher credit ratios, the Basel III accord favoured the larger banks at the expense of their smaller competitors.

Notably then, even the contemporary literature that is critical of financial deregulation and the Basel accords remains informed by the historically neoliberal concept of regulatory capture. The effect of the inability to escape neoliberal social ontology can be witnessed in the manner in which the line of argumentation in the contemporary regulatory capture literature can be readily re-integrated back into the neoliberal worldview. For instance, a recent IMF Report entitled *Bank Lobbying: Regulatory Capture and Beyond* concluded, in line with the regulatory capture literature, that the banking industry had disproportionately influenced banking regulation, contributing to the financial crisis (Igan and Lambert 2019; see also Cohn 2019). To combat regulatory capture, the report suggests two measures; enhancing transparency by requiring regulators to provide ex-post disclosures of the reasons for their decisions, and placing ‘checks and balances’ on the regulatory decisions process to limit the interference of lobbyists and political interests. The implicit conclusion of the report is that, in contrast to the current ‘captured’ regulation, more independent and transparent regulators should develop more equitable and ‘neutral’ market regulation – that is, regulation that would finally allow the ‘true’ free market to function. Though this conclusion is not necessarily in line with Stigler’s

recommendation to abolish regulation all together, it is very much compatible with Becker's suggestion to insulate regulators from political interference, and with the demands of President Obama to create a 'true' free market, guided only by the light touch 'rules of the road'. Thus, the regulatory capture literature can lead to conclusions largely commensurate with neoliberalism, as by merely seeking to insulate regulators from the direct material or cultural influence of banking lobbyists, the literature overlooks the possibility of epistemic capture, and the operation of the neoliberal fantasy logic whereby regulators and politicians continue their doomed pursuit of a truly independent free market. That even the academic literature critical of neoliberal deregulation is still founded on the neoliberal concept of regulatory capture further demonstrates the astonishing entrenched hegemony of neoliberal thought, and the pervasiveness of the neoliberal university discourse as the dominant construction of reality for those studying the economy.

Chapter 7 Aftermath - Discourse of the Master

This chapter focuses on the aftermath of the crisis, a period characterised by the triumphant return of the free market master discourse. In the previous chapter, I suggested that by the conclusion of the London G20, demands for substantive reform of the global economic order had been largely frustrated, replaced by cosmetic regulatory reform that preserved the pre-crisis status quo. In the months following the London G20, as financial markets stabilised and returned to pre-crisis levels of profitability, my corpus evidences the emergence of a new narrative, which sought not to restore the pre-crisis economic system, but rather to use the crisis as a justification to intensify neoliberal forms of governance. Drawing more explicitly on the logic of the neoliberal fantasy, according to which the state is always the problem and the free market the solution, supporters of the ‘austerity narrative’ claimed that the root cause of the crisis was the intervention of the state in the marketplace, and that the solution was the withdrawal of government intervention, best accomplished through policies of fiscal austerity. Crucial to the ‘austerity narrative’ was the reconstruction of the facts of the crisis to focus blame back onto the transgressive state. As noted in chapter 5, during the onset of the crisis pro-free market accounts struggled to interpret the crisis, given the widespread belief that the financial system was dominated by free market principles. In contrast, the austerity narrative offered a reconstruction of the facts of the crisis which squarely focused blame on the state, claiming that prior to the crisis governments had actually departed from the principles of the free market, and that this departure was the root cause of the crisis. However, in contrast to Obama’s ‘true free market’ narrative, which had claimed excessive deregulation was a departure from free market principles, the austerity narrative instead pointed to a variety of state interventions in the marketplace. These included lax monetary policy, government mortgage policies, overregulation of financial markets and credit rating agencies, the role of government-sponsored entities such as Fannie Mae and Freddie Mac, and finally the growth of

government debt. Having determined that these various interventions were responsible for the outbreak of the crisis, the austerity narrative concluded that the solution was further deregulation of financial markets, privatisation and reducing government debt through spending cuts.

In the first section of this chapter, I trace the various narratives seeking to blame state intervention for the outbreak of the crisis. I suggest that in the US context, attention was initially focused on federal government mortgage policies and government-sponsored entities, while in late 2009 proponents of the austerity narrative increasingly emphasised government debt as a cause of the crisis. Concern with the corrosive effects of government intervention was one of the driving concerns in the emergence of the Tea Party movement in 2009, whose supporters were key proponents of the austerity narrative. In the UK, I find that government debt was chiefly emphasised as the state attribute responsible for the crisis, with my corpus offering strong evidence for what Mark Blyth (2013: 73) has described as the ‘bait and switch’ discursive manoeuvre, whereby the government debt created by the crisis was reconstructed as the original cause. In the second section, I examine the Pittsburgh and Toronto G20 summits, demonstrating the increasing prominence of the austerity narrative in shaping international responses to the crisis. Though at Pittsburgh (September 2009) evidence of the ‘true free market’ narrative can still be found, by the time of the Toronto G20 (June 2010), the concern of world leaders had turned almost entirely to fiscal consolidation and austerity policies. In the final section, I relate the five narratives of the crisis considered in the preceding chapters to broad electoral trends in the UK and US. The concern here is not to suggest that a particular narrative can causally account for an electoral outcome. Rather, I situate the electoral fortunes of the different narratives to substantiate my thesis regarding the failure of critical narratives of the crisis, and the ultimate return to neoliberal hegemony embodied in the success of austerity politics.

7.1 The Austerity Narrative

In this section, I examine the austerity narrative, which claimed that the state was ultimately responsible for the crisis, and the retrenchment of the state through austerity policies the solution. Accounts of the crisis constructed according to the austerity logic can be found as early as 2007, particularly among libertarian groups who believed that the principles of the free market had never been truly implemented in the first place. For instance, at a Republican Presidential debate in December 2007, libertarian-leaning Senator Ron Paul (2007) claimed that the crisis had been caused by government spending, because ‘we’ve spent too much, we tax too much, we borrow too much, and we print too much’. Similarly, in the UK context, various contributions to the Telegraph throughout 2008 maintained that the causes of the crisis could be traced back to state intervention. Economist Philip Booth (2008) warned that ‘If people do not accept that government institutions are responsible for our current problems then they will demand yet more regulation’, with a Telegraph editorial (2008a) similarly noting that ‘it is not capitalism that has caused this downturn, but state intervention’. However, in 2008 narratives seeking to blame the state were largely marginalised, because of the overwhelming consensus that prior to the crisis financial markets in the UK and US were governed by free market principles. As I noted in chapter 5, both the ‘status quo’ narrative, which claimed that there could be no crisis because the economy was governed by free market principles, and the ‘free market crisis’ narrative, which claimed the downturn was a result of the free market, both took as axiomatic the dominance of the free market prior to the crisis. Against the overwhelming consensus that the economy had previously been a relatively free market, the austerity narrative initially struggled to blame the state.

As noted in the previous chapter, the reshaping of the crisis narrative by Obama in late 2008 challenged the belief that pre-crisis financial systems had been free markets, with Obama claiming that the cause of the crisis was excessive deregulation and the abandonment of the

‘true’ principle of the free market. Building on Obama’s argument that free market principles had been abandoned prior to the crisis, the austerity narrative claimed that the abandonment had not been because of excessive *deregulation*, but was rather a result of excessive *intervention*, again reconstructing the facts of the crisis to fit more coherently into the neoliberal fantasy of state failure and free market prosperity. As the Wall Street Journal put it in March 2009, ‘deregulation was not at fault for our troubles...the free market had never really been tried’ (Frank 2009), with an editorial published after the London G20 claiming that ‘if there is one myth the credit crunch has surely exposed, it is that the financial system is a free market. The world is in a mess because the financial system wasn't capitalist enough’ (Nixon 2009). In justifying how exactly the state had caused the financial crisis, proponents of the austerity narrative utilised the logic of the neoliberal fantasy described in chapter 4.2. That is, given that some element of the state was necessary to create a financial system in the first place, there was always some element of the state that could be held responsible for any financial crisis.

An early theme in the austerity narrative was the role of central banks, and particularly the US Federal Reserve. Proponents claimed that prior to the crisis the Federal Reserve had held interest rates artificially low, causing the bubble in the housing market that had unravelled to create the crisis. For instance, according to economist Anna Schwartz the Federal Reserve was ultimately responsible for the crisis, with Schwartz (comments in Evans-Pritchard 2008a) claiming that the Fed needed to ‘acknowledge their own failures in letting this happen. There never would have been a sub-prime mortgage crisis if the Fed had been alert. This is something Alan Greenspan must answer for’. Accounts blaming monetary policy and therefore the state for the outbreak of the crisis were also widespread in various media accounts within my corpus:

Before we rush into new regulations controlling banks, as though they alone were responsible for what has gone wrong, we should not forget the role of public policy.

In both the US and the UK, rampant lending was not an accident. It was the direct

result of a deliberate policy of boosting domestic demand via low interest rates.

Bootle (2008), The Telegraph

The root cause lies in the actions of governments across the Western world. They held interest rates too low for much of the past two decades, and encouraged the debt burden to explode to unprecedented levels.

Evans-Pritchard (2008b), The Telegraph

As Congress plumbs the causes of our current mess, the main one is hiding in plain sight: Reckless monetary policy that did so much to create the credit mania and then compounded the felony with a commodity bubble and run on the dollar whose damage is now becoming apparent.

Wall Street Journal Editorial (2008b)

If you have a central bank like the Fed, that's established by the government, has all this government granted monopoly privileges, and it forces interest rates below the level that the free market would have set them, it sets the economy on an unsustainable boom... And a lot of these economists predicted that, of course, the bust would then be blamed on capitalism, as if it's the free market's fault that the government's crummy central bank forced these interest rates below where the market would have set them. If we let the market set interest rates, you don't have these crazy asset bubbles.

Glen Beck (2009), Fox News

Notable in all these contributions is the conflation of central banks with the government, a discursive move that allows the blame to be redirected back onto the transgressive state. Prior to the crisis, governments actually had limited control over their central banks, which were structured as independent institutions setting monetary policy free from government interference. The necessity of central bank independence is a point heavily emphasised in

neoliberal thought, with various neoliberal thinkers claiming that central banks need to be insulated from populist democratic control, and should instead be run by disinterested technocrats (see for instance Friedman 1962; Alesina and Summers 1993). From a free market perspective, it might therefore initially seem contradictory to blame the state for the actions of central banks which had been historically separated from the direct control of politicians, particularly given that the Fed had for nineteen year prior to the crisis been chaired by Alan Greenspan, an explicit supporter of free market principles. Nevertheless, according to the logic of the neoliberal fantasy, the role of central banks in setting interest rates could still be construed as an act of government intervention and regulation of the marketplace. Even though the alternative to monetarism - the return of the gold standard - was only ever advocated for by a minority of Austrian economists (see for instance Greaves 1995), the neoliberal fantasy could still claim that the central bank constituted an impermissible interference in the free market, and was therefore ultimately responsible for the crisis.

Building on the critique of monetary policy, proponents of the austerity narrative also claimed that proactive government policies encouraging home ownership and mortgages played a role in the crisis. For instance, the Wall Street Journal claimed that the ‘elegant’ financial models developed by banks were confounded by ‘Washington’s insistence for years on artificial subsidies for mortgages’, adding ‘ill-conceived regulation poisoned the system’ (Crovitz 2008). According to Fox News columnist Anastasia O’Grady (2008), ‘when the history of all this is written, we are going to look back and say a lot of it came from Washington. The Federal Reserve kept rates too low for too long. Washington -- Congress decided not only were Americans entitled to life, liberty and the pursuit of happiness, but also homeownership’. Proponents of the austerity narrative concluded that ‘it is not that the free market failed. The mistake was the constant interventions in the free market by the Fed and U.S. Treasury’ (Faber 2009; see also Makin 2009).

In the US, commentators also foregrounded ‘the central role the government-sponsored enterprises Fannie Mae and Freddie Mac played in the U.S. subprime mortgage debacle’ (Wall Street Journal 2009), seeking to portray the origin of the crisis in the actions of entities linked to the state. Precisely how well Fannie Mae and Freddie Mac performed before and during the crisis is politically contested, with some claiming that they performed well but were undone by the general collapse in financial markets (Stiglitz 2010: 37-38), while other accounts claim that they were already in poor financial shape prior to the crisis, and contributed to the expansion of sub-prime mortgages (Congleton 2010). By the account of many advocates of the austerity narrative though, Fannie Mae and Freddie Mac were held entirely accountable for the crisis, with the role of private banks ignored. As Republican Senator Jon Kyl put it, Freddie Mac and Fannie Mae were ‘the groups that I think everybody agrees started this whole problem by the securitization of these mortgages’ (comments in Wallace 2008).

In the UK context, more attention was focused on the role of government debt in creating the crisis, particularly in the narrative constructed by Conservative leader of the Opposition David Cameron. By Cameron’s account, the root cause of the crisis was the ‘big-government’ policies of the Labour government, with Cameron (2009) asking ‘why is our economy broken? Not just because Labour wrongly thought they'd abolished boom and bust. But because government got too big, spent too much and doubled the national debt’. Cameron’s account blaming government debt for the crisis was widely reproduced in the British media. For instance, according to the Telegraph ‘Gordon Brown poured petrol on the fire by pushing the fiscal deficit to 3pc of GDP...let us not forget that this crisis was confected by governments. To blame the free market is to miss the bigger point’ (Evans-Pritchard 2009a). While US commentators focused more attention on the role of government-sponsored entities, there was also an emphasis on the role of government debt and redistributive policies, especially following the election of Obama. For instance, Fox News contributor Peter Schiff concluded

that ‘we are in trouble today because of government stimulus’ (Schiff 2009), with Sean Hannity (2009a) claiming the root cause of the crisis was government policies aimed at the ‘redistribution of wealth’.

Finally, in both the US and UK advocates of the austerity narrative responded to prior claims that deregulation had caused the crisis by instead maintaining that the pre-crisis regulatory structure had been one of overregulation. Deriding the ‘mainstream media’ for their failure to sufficiently consider the role of overregulation, prominent Republican Mike Huckabee (2008) claimed that ‘it was not deregulation that brought this about. It was overregulation, forcing banks into a situation on the Community Reinvestment Act and the market to market [sic] kind of accounting methods which created devaluing of companies' portfolios’ (see also Hannity 2009c; Warner 2009). In a contribution which demonstrated the versatility of the neoliberal fantasy narrative, O’Grady (2008) claimed overregulation of credit rating agencies was a cause of the crisis, suggesting that ‘the government designates two or three credit rating subdivisions and as soon as they put their stamp of approval on something, well, it’s OK’. Against prior constructions of credit rating agencies as privatized market actors, O’Grady is suggesting that government regulation mandating banks to use credit rating agencies to assess risk was a distorting government intervention in the marketplace, and was therefore responsible for the misaligned market incentives that contributed to the crisis. Accordingly, O’Grady is able to reconstruct credit rating agencies as government distortions in the marketplace, demonstrating the manner in which the neoliberal fantasy can always find some element of the state which can be ultimately blamed for any particular market failure.

Having reframed the cause of the crisis as state intervention in the economy, the austerity narrative concluded that the solution was for the state to withdraw its various interventions in the marketplace, through policies of fiscal austerity and deregulation. Drawing on both moral claims about freedom and functional arguments about economic prosperity, proponents of the

austerity narrative argued that, as a Telegraph headline put it, it was ‘Time to state the moral case for cuts’ (Daley 2009). In the US context, the emergence of the Tea Party movement played a major role in solidifying the austerity discourse and the demand for cuts to government expenditure (O’Hara 2010: 41-50; Arceneaux and Nicholson 2012). The Tea Party Movement originated as an anti-tax protest in early 2009, heavily funded by organised conservative groups such as Americans for Prosperity, a lobbying group financed by the Koch brothers (Nesbit 2016). Predominantly opposing the expansion of government expenditure in the form of the bailouts and fiscal stimulus, proponents of the Tea Party Movement promoted neoliberal ‘principles of fiscal responsibility, limited government and a strict adherence to the Constitution’ (Tea Party Caucus 2012; see also O’Hara 2010). Mike Pence, one of the earliest Republican Congressmen to support the Tea Party movement, typified the austerity discourse, claiming that to fix the crisis, ‘the real answer here is for Washington to begin to practice real fiscal discipline, that will give confidence to the markets that Washington gets it, and then we need to pass fast-acting tax relief for small business owners’ (Pence, comment in Hannity 2009b).

The Tea Party Movement and the political principles it represented enjoyed widespread political and popular support, with a 2010 poll finding that 35% of likely US voters identified as Tea Party supporters (Weisman 2010). Responding to the popularity of the Tea Party Movement, in June 2009 House Republicans introduced a financial plan to implement extensive austerity measures, claiming ‘it’s time to reject the “too big to fail” bailout logic that has resulted in unprecedented government intrusion into the marketplace and reinstate the free market principles that are the cornerstone of our nation and a healthy financial sector’ (Garrett *et al.* 2009). Specific neoliberal policies in the plan included the privatisation of state-owned assets, such as Freddie Mac and Fannie Mae, and reducing regulation of the financial sector, because ‘many areas that are already subject to significant regulation are some of those with

the most problems' (Garrett *et al.* 2009). Though this particular plan did not pass Congress, the overall success of the Tea Party Movement and austerity discourse more generally was reflected in Obama's later adoption of key tenets of the austerity discourse.

Obama had initially resisted austerity policies, but in a speech in May 2009 he discursively pivoted, recognising the need for a balanced budget and reductions in fiscal expenditure within his framework of the 'true free market'. Announcing initial plans for \$17 billion in spending cuts, Obama (cited in Calmes 2009) warned that 'we can no longer afford to spend as if deficits do not matter and waste is not our problem'. In embracing austerity policies, Obama largely adopted the discursive mode of the university, contrasting his sensible and 'intelligent' spending cuts with the narrow ideological fervour of the Tea Party Movement. For instance, responding to a Tea Party meeting protesting fiscal stimulus and health care expenditure, in April 2009 Obama claimed:

Let me just remind them that I am happy to have a serious conversation about how we are going to cut our health care costs down over the long term, how we're going to stabilize Social Security...But let's not play games and pretend that the reason is because of the recovery act, because that's just a fraction of the overall problem that we've got. We are going to have to tighten our belts, but we're going to have to do it in an intelligent way. (Obama 2009c)

Though tentatively welcoming Obama's pivot to austerity, House Republican Leader John Boehner immediately responded that the spending cuts did not go far enough, stating that 'While we appreciate the newfound attention to saving taxpayer dollars from this administration, we respectfully suggested that we should do far more' (cited in Calmes 2009). Obama's embrace of the logic of austerity set the parameters of the fiscal debates that would dominate the remainder of his first term in office, with Obama announcing further spending cuts, only to be repeatedly met with Republican complaints that his cuts did not go far enough.

The result was increasing gridlock in Congress and shutdowns of the Federal government (Young 2014), leading Obama to reach repeated compromises which cut expenditure even further. That the concern was not solely about the federal deficit, but was rather motivated by a broader neoliberal concern about freedom and reducing government intervention, is evidenced by the fact that emergency proposals to reduce the deficit also typically included tax cuts, which would only further increase the deficit, and in turn lead to further demands for emergency deficit reduction (Meyers 2014). By the end of his first term, Obama had fully embraced the austerity narrative, boasting that his government had ‘signed \$1 trillion in discretionary spending cuts into law’, and that ‘as a result, annual discretionary spending is projected to fall to its lowest levels on record, measured as a share of the economy’ (Obama 2012).

In the UK, Conservative leader David Cameron and his shadow Chancellor George Osborne were the most consistent advocates of the austerity narrative. By Osborne’s account, the simple solution to the crisis was ‘monetary activism, fiscal responsibility, and supply side reform’ (Osborne 2009). Osborne claimed that ‘all financial crises ultimately have their origins in one thing - rapid and unsustainable increases in debt’ (Osborne 2010), and hence that ‘a credible commitment to cut spending and get to grips with our record budget deficit is so vital’ (Osborne 2009). Both as leader of the opposition and following his election to Prime Minister in May 2010, Cameron evidenced a similar narrative. Reproducing the sense of hysteria that had narrated the onset of the crisis, but directing the panic towards the problem of government debt, Cameron (2009) claimed that ‘the money has run out...unless we deal with this debt crisis, we risk becoming once again the sick man of Europe’. In government, Cameron maintained that ‘the most urgent issue facing Britain today [is] our massive government deficit and growing debt’ (2010), and that ‘this was no normal recession; we’re in a debt crisis. It was caused by too much borrowing, by individuals, businesses, banks, and most of all, governments’ (Cameron 2011).

As in the United State, the discursive hegemony of the austerity narrative is evidenced in its adoption not just by the Conservative opposition, but also by Gordon Brown's Labour government. Brown was initially reluctant to espouse the language of austerity, reportedly twice agreeing with his cabinet to publicly make the case for cutting government expenditure only to later change his mind (Wintour 2009b). In September 2009 Brown finally succumbed to the alleged necessity of austerity, telling the Trade Union Council Conference that his government would 'cut costs, cut inefficiencies, cut unnecessary programmes and cut lower priority budgets' (Brown, comments in Mulholland 2009). Detailed plans for austerity policies were announced in the December 2009 pre-budget report, which included caps for public sector pay, savings from public sector pensions, and cuts of 28 billion pounds from capital spending programmes (HM Treasury 2009). In the pre-budget statement, Chancellor Alistair Darling promised to 'halve the deficit over four years', with Darling later boasting that his cuts to public expenditure would be 'deeper and tougher' than Margaret Thatcher's (Darling, comments in Elliott 2010b).

Finally, of crucial importance to the success of the austerity narrative was the structuring of pro-austerity arguments according to the logic of the university discourse. In both the United Kingdom and United States, supporters of austerity policies cited the work of academic economists as supposedly incontestable proof as to the necessity of austerity policies. In January 2010, Harvard economists Alberto Alesina and Silvia Ardagna (2010) published 'Large Changes in Fiscal Policy: Taxes Versus Spending', a statistical analysis of historical austerity policies that claimed to find evidence that 'spending cuts adopted to reduce deficits have been associated with economic expansions rather than recessions' (Alesina and Ardagna 2010: 37). The claim that austerity policies could have fiscally expansionary effects proved highly influential in policy circles, and was reproduced by a wide variety of political actors. For instance, Alesina's findings were cited by European Finance Ministers in 2010 to justify

austerity policies (Coy 2010; see also Trichet 2010), while the Emergency Budget implemented by the UK Conservative Government in 2010 also reproduced the logic of ‘expansionary austerity’, claiming that austerity policies ‘will tend to boost demand growth, could improve the underlying performance of the economy and could even be sufficiently strong to outweigh the negative effects’ (HM Treasury 2010).

A second paper published in 2010 by economists Carmen Reinhart and Kenneth Rogoff further strengthened the empirical case for austerity. Entitled ‘Growth in a time of debt’, the paper claimed to find a strong statistical correlation between increased government debt and reduced GDP growth, warning that countries suffered dramatic deteriorations in economic growth if government debt exceeded 90% of GDP. With many countries having debt levels approaching the 90% threshold, the Reinhart and Rogoff findings were widely noted, with Paul Krugman (2013) later suggesting that ‘Reinhart-Rogoff may have had more immediate influence on public debate than any previous paper in the history of economics’. Presenting evidence from the paper at the US Bipartisan Fiscal Commission, Reinhart advised that GDP growth ‘deteriorates markedly’ when debt exceeds 90%, and that the US government therefore needed to urgently reduce the federal deficit. Typifying the university discursive mode by presenting austerity policies as an unavoidable economic reality, Reinhart warned that ‘fiscal austerity is something nobody wants, but it is a fact’ (Reinhart, comments in Alarkon 2010). The findings in the Reinhart and Rogoff paper were subsequently used by different politicians to justify the necessity of austerity policies. For instance, US Representative Paul Ryan cited the paper in the 2012 Republican Budget proposal, claiming that Reinhart and Rogoff provided ‘conclusive empirical evidence that gross debt exceeding 90 percent of the economy has a significant negative effect on economic growth’ (Ryan 2013). In the UK, George Osborne (2010) cited Reinhart and Rogoff as evidence that government debt was the ultimate cause of all financial crises, while German Finance Minister Wolfgang Schäuble (2012) also highlighted the

Reinhart and Rogoff findings as a key justification for the necessity of austerity policies in Europe.

Unsurprisingly, much has been made of the fact that the results in the Reinhart and Rogoff paper were incorrect, based on a spreadsheet error and poor statistical presumptions (see Herndon *et al.* 2014). The results in the Alesina and Ardagna paper were also later widely challenged, with a subsequent much broader historical analysis by the IMF finding no evidence for the ‘expansionary austerity’ thesis (International Monetary Fund 2010: 93-124; see also Krugman 2013). Rather, the IMF (2010: 93) concluded in line with Keynesian presumptions ‘that fiscal consolidation typically reduces output and raises unemployment’. Nevertheless, though these papers were influential, their statistical errors and methodological shortcomings are less consequential than the general structure of the austere discourse, which evoked the apparently post-ideological empiricism of economists as irrefutable justification for the necessity of austerity policies. The academic work marshalled as political evidence was always interchangeable, functioning as a structural recourse to authority, and hence discredited papers could always be replaced with subsequent work, or indeed defended as methodologically sound. After all, how best to accurately measure the GDP growth of Belgium in the 1850’s - a datapoint used in the Reinhart and Rogoff paper later contested by other economists - is an inherently subjective and likely intractable problem, despite the positivist pretensions of academic economists. The conclusion to draw therefore is not that statistical errors in particular papers led to the erroneous implementation of austerity policies by politicians following the evidence (as Krugman suggested in Krugman 2013). Rather, the crucial point here is the functioning of the university discourse, in which a fundamental social antagonism is transformed into a supposedly empirical question of methodology and data. By invoking the work of economists, regardless of its methodological soundness, politicians could conceal the contingency of their choices to implement austerity policies, and claim, as David Cameron

(2010) put it, that ‘we are not doing this because we want to, driven by ideology. We are doing this because we have to, driven by the urgent truth that unless we do, people will suffer and our national interest will suffer’.

7.2 The Austerity Narrative at the G20

In this section, I return to the forum of the G20, to examine the emergence of the austerity narrative in the aftermath of the crisis. I begin with the Pittsburgh G20, which commenced 25 September 2009, before examining the Toronto G20, which began 26 June 2010. The Pittsburgh Leader’s Statement evidences the return of the neoliberal fantasy logic, mostly reverting to the pre-crisis neoliberal account of the economy in which the antagonistic state threatens the prosperity of the free market. However, at Pittsburgh the austerity narrative was not entirely dominant, with my analysis also finding residual evidence of Keynesian logics in the statement’s concern with counter-cyclical fiscal policy. Turning to the Toronto Declaration, I find stronger evidence for the complete return to neoliberal hegemony. By Toronto, the construction of the crisis had been reshaped from a crisis of the market to a crisis of state debt, and accordingly the summit foregrounded the need for austerity policies, coupled with the preservation of open markets and labour market reform. By Toronto, the neoliberal master discourse had not only recovered from its marginalisation in the crisis, but had actually intensified, with various world leaders using the crisis to justify further rounds of neoliberal reform and the retrenchment of state functions that had survived previous rounds of privatisation.

The Pittsburgh G20 Summit

Though the Pittsburgh Summit followed the London G20 by only four months, the two summit declarations mark the sharpest discursive break across my entire corpus of G20 documents. Whereas the London G20 took place in an atmosphere of emergency crisis response, the Pittsburgh Leader's Statement adopted a remarkably triumphalist tone, with the leaders congratulating themselves on the success of their measures to 'repair our financial system and to maintain the global flow of capital', declaring 'it worked' (G20 2009c, 1). The term 'recovery' occurs 18 times in the statement, a potentially discordant framing of the global economy given that unemployment rates were still increasing in nineteen of the G20 economies (World Bank 2021b). Accordingly, the language of recovery at the Pittsburgh G20 must be understood as reflecting the return to substantial profits for the majority of financial firms by the latter half of 2009, including record profits and bonuses announced by JP Morgan and Goldman Sachs two months prior to the summit (Desai 2011: 29). As I noted in chapter 5, at the Washington G20 even the critics of neoliberalism had framed the crisis as a problem of instability in financial markets and declining GDP growth, and hence the return to profitability for financial firms could be constructed as the end of the crisis. At Pittsburgh, the world leader's reaffirmed that 'our objective is to return the world to high, sustainable, and balanced growth, while maintaining our commitment to fiscal responsibility' (G20 2009c: 5), adding that 'the steps we are taking here, when fully implemented, will result in a fundamentally stronger financial system than existed prior to the crisis' (G20 2009c: 8). The antagonism between the interests of the financial sector and the broader population – an antagonism unavoidably laid bare during the onset of the crisis – is here ignored, with world leaders openly stating their aims to strengthen the financial sector. The erasure of the antagonisms that were evident at the previous summits therefore points to the return of the master discourse, in which a particular

signifier – the free market – is invested with the apparent ability to unify social divisions and deliver freedom, order and prosperity for all.

At the previous G20 summits, I suggested that the responses to the crisis adopted by world leaders – bailouts, regulation and fiscal stimulus – undermined the previously dominant neoliberal discourse. In particular, the provision of state funds to bailout failing banks directly challenged the neoliberal account of state-market relations, with the bailouts providing direct evidence of the necessity of the state for the survival of supposedly independent financial markets. Despite the centrality of the bailouts in the response to the crisis, they are almost entirely overlooked in the Pittsburgh Leader's Statement. Remarkably, the 23-page document makes only one indirect reference to the bailouts, asking the IMF to examine 'how the financial sector could make a fair and substantial contribution toward paying for any burdens associated with government interventions to repair the banking system' (G20 2009c: 10). The political unpopularity of the bailouts can partially account for their omission from the document, with world leader's reticent to claim ownership of a policy that was eliciting increasing anger in domestic contexts (Steinhauser 2009). Further, for proponents of the neoliberal discourse, the bailouts provided inconvenient evidence of the necessity of the state in supporting free markets, and hence even those neoliberal actors who had offered begrudging support for the bailouts during the onset period were unlikely to foreground the importance of the bailouts as a crisis response measure. The complicity of both pro- and anti-neoliberal voices in ignoring the bailouts at the Pittsburgh G20 therefore removed the importance of the bailouts from the G20 narrative of the crisis. In previous summits the alleged necessity of bailouts for corporations had substantially challenged the neoliberal ontological binary of state-free market, while conversely the absence of bailouts in the Pittsburgh narrative smoothed the return of neoliberal ontological categories. The absence of robust defences of the bailouts also allowed neoliberal critics to present the debt created by the bailouts as evidence of state incompetence. The

hesitancy of centre-left leaders such as Gordon Brown to explicitly highlight the magnitude of state debt they had accumulated in supporting the banks allowed their opponents to reconstruct the debt as an inherent problem of state mismanagement, diverting blame away from market actors and back onto the transgressive state. By eliding the origins of much of the state debt accumulated in the crisis, proponents of the neoliberal discourse were able to reconstruct the crisis within the confines of the neoliberal fantasy narrative, ignoring the actions of market actors and instead foregrounding the problem of state debt and corresponding necessity of austerity policies.

Turning to policies of regulation, the Pittsburgh Leader's Statement reflected the return of the neoliberal account of regulation in line with the trends I discussed in chapter 6.4. Though there was some evidence of the return of the master discourse, such as in promises to 'keep markets open and free' (G20 2009c: 18), the process of devising new regulation was constructed according to the structure of the university discourse, which framed market regulation as a complex scientific pursuit best left to impartial, technical experts. Hence, though the statement proposed 'sweeping reforms to tackle the root causes of the crisis and transform the system for global financial regulation' (G20 2009c: 7), the actual content of the reform was largely empty. Consider for instance the following excerpt, which typifies the university construction of regulation:

It is important to ensure an adequate balance between macroprudential and microprudential regulation to control risks, and to develop the tools necessary to monitor and assess the buildup of macroprudential risks in the financial system. (G20 2009c: 7)

What an adequate balance between macro- and micro-prudential regulation might look like, or indeed what the content of the frequently invoked 'macroprudential regulation' might actually be, is never elaborated on. Instead, the statement reaffirms that 'substantial progress has been

made in strengthening prudential oversight, improving risk management, strengthening transparency, promoting market integrity, establishing supervisory colleges, and reinforcing international cooperation' (G20 2009c: 7). Though the master discourse construction of the free market as ideal is found only sparingly in the Pittsburgh statement's account of regulation, the influence of neoliberal ideas is still clearly apparent in notions of 'market integrity' and 'strengthening transparency'.

Finally, the account of fiscal policy at Pittsburgh demonstrates the strongest evidence of remaining discursive conflict, with demands for austerity found alongside Keynesian concerns with preserving counter-cyclical fiscal policy. The statement begins with a clear affirmation of the expansionary approach to fiscal policy adopted at the previous summits, suggesting that the G20 was responsible for 'the largest and most coordinated fiscal and monetary stimulus ever undertaken' (G20 2009c: 1), and that the stimulus was responsible for the reversal of the economic downturn. Providing further evidence of Keynesian logics, the leaders also pledged to 'avoid any premature withdrawal of the stimulus' (G20 2009c: 1-2). At the same time, the statement acknowledged the need to eventually exit stimulus policies, adding that 'we will prepare our exit strategies and, when the time is right, withdraw our extraordinary policy support in a cooperative and coordinated way' (G20 2009c: 2).

In of itself, the withdrawal of fiscal stimulus once the economy had recovered was not a repudiation of Keynesian logics, and is rather entirely compatible with the Keynesian prescription to spend in the downturn and save in the boom. However, two factors mitigate against reading the Pittsburgh statement as a straightforward endorsement of Keynesian logics. Firstly, despite the commitment to avoid a premature withdrawal of the stimulus, the document also suggests that the withdrawal of stimulus is still a pressing concern, noting that 'credible exit strategies should be designed and communicated clearly to anchor expectations and reinforce confidence' (G20 2009c: 5). Further, despite the prior suggestion that the withdrawal

of stimulus should be internationally coordinated, the document subsequently warns that some countries should begin austerity programs immediately. Using the explicitly neoliberal language of open markets, the document states that ‘G-20 members with sustained, significant external deficits pledge to undertake policies to support private savings and undertake fiscal consolidation while maintaining open markets and strengthening export sectors’ (G20 2009c: 22) In mid-2009, the effects of the recession on the real economy were deepening, with unemployment rates increasing all over the world (World Bank 2021b). Hence, as many New Keynesian economists pointed out (see for instance de Long 2009; Krugman 2012, 2013), proposals to begin austerity programs whilst the recession was still worsening clearly contradicted a counter-cyclical fiscal approach.

Secondly, the limited Keynesian embraced in the Pittsburgh statement is also a Keynesianism explicitly stripped of its redistributive content. As previously noted, for Keynes the most effective forms of fiscal stimulus are those policies which redistribute income from the wealthiest, who have the highest propensity to save, to the poorest, who are most likely to spend. Yet the Pittsburgh statement contains no suggestion that policies of fiscal stimulus had or indeed should be redistributive with regards to income inequality, instead adopting the neoliberal belief that private sector led economic growth is the most effective means for reducing poverty. Highlighting the ‘need to shift from public to private sources of demand’ (G20 2009b: 2), the statement suggests that the most effective approach to eliminate poverty is ‘support for private-sector led growth and infrastructure to enhance opportunities for the poorest, social and economic inclusion, and economic growth’ (G20 2009c: 12). Though the Pittsburgh Statement retained limited Keynesian ideas regarding the counter-cyclical operation of fiscal policy, it was a Keynesianism stripped of all redistributive content, and replaced with the neoliberal axiom that private corporations operating in free markets were the most effective actors for advancing material prosperity and eliminating poverty.

A final theme emphasised strongly in the Pittsburgh Statement was an explicitly neoliberal embrace of the importance of free trade. The leaders noted that ‘we remain committed to further trade liberalization’ (G20 2009c: 19), adding that ‘the current crisis has once again confirmed the fundamental recognition that our growth and prosperity are interconnected, and that no region of the globe can wall itself off in a globalized world economy’ (G20 2009c: 20). The notion of the inevitability of globalisation conveyed in the previous excerpt reproduces themes prevalent in neoliberal discourses of the 1990s and early 2000s, presenting free trade and free markets as inevitable and inescapable features of the contemporary world economy (see for instance Friedman 2000). Moreover, the chain of equivalence constructed between free trade, economic growth and prosperity also parallels the neoliberal discursive trope I documented in part I, according to which only the free market can deliver a bountiful material prosperity. Demonstrating the return of the neoliberal master discourse in the construction of free trade, the world leaders noted that ‘we have a responsibility to reject protectionism in all its forms, support open markets, foster fair and transparent competition, and promote entrepreneurship and innovation across countries’ (G20 2009c: 20). Thus, in its commitment to ‘keep markets open and free’ (2009c: 18), the Pittsburgh Statement strengthened the fantasmatic framing of the free market, returning to a master discourse construction in which the economic crisis could only be resolved by affirming an ever-stronger commitment to the principle of the free market.

The Toronto G20 Summit

The final G20 Summit I examine is the Toronto G20, which commenced 26 June 2010. Whereas the Pittsburgh Declaration contained residual elements of the anti-neoliberal discourses that had predominated at the onset of the crisis, the Toronto Declaration evidences the complete return of neoliberal hegemony, with the world leaders adopting explicit targets to implement austerity measures, along with demands for deregulation and other forms of

neoliberal reform. Crucial to the pivot towards austerity policies established at Toronto was the claim that the financial crisis was essentially over, and that attention should now turn to the fiscal crisis of government debt. Accordingly, the statement began with a proclamation of success – ‘Building on our achievements in addressing the global economy crisis, we have agreed on the next steps we should take to ensure a full return to growth’ (G20 2010: 1). Whether or not the global economy had entered the recovery phase of the crisis by mid-2010 was necessarily a question of perspective. According to the metrics used by economists and policy makers, the global economy was showing signs of recovery. For instance, after falling by 1.674% in 2009, global GDP recorded a growth rate of 4.303% in 2010, barely below the 2006 pre-crisis rate of 4.378% (World Bank 2021a). Key indexes of financial markets also pointed to a revival, with figure 7.1 demonstrating that by June 2010 the Dow Jones, S&P 500 and FTSE100 had recovered most of the value lost in the crisis.

Figure 7.1 Recovery of Financial Indicators

Financial Index	3 Jan 2007	Low point	26 June 2010
Dow Jones Index	12,423.16	6,469.95 (March 6, 2009)	10,297.08
S&P 500	1,418.03	676.53 (March 9, 2009)	1,090.93
FTSE 100	6,319.0	3579.86 (March 6, 2009)	5178.67

Source: Wall Street Journal 2021

Despite the recovery in financial markets, unemployment numbers remained mixed. By mid-2010 unemployment was still rising in 9 of the G20 countries, and 14 countries still had unemployment rates higher than prior to the crisis (World Bank 2021b). Wages also showed negative growth, a trend that would persist for the next decade (Desilver 2018), whilst after initially decreasing during the onset of the crisis, rates of inequality were also rising sharply by 2010 (Stiglitz 2010: 201).

The account of the financial crisis as essentially resolved that predominated at Toronto was therefore a construction that privileged financial markets and economic output over broader society, allowing world leaders to call for the end of the extraordinary measures pursued during the crisis, and for the return of fiscal responsibility. The host of the summit, Canadian Prime Minister Stephen Harper, was a prominent voice in support of austerity, with Harper (2010) demanding the other leaders agreed to targets of ‘a 50 per cent deficit reduction by 2010 and a debt to GDP ratio that should at least be stabilised or on a downward trend by 2016’. Joining Harper in support of austerity was the new UK Prime Minister David Cameron, who had been elected the previous month on a policy platform that explicitly embraced austerity. Claiming that his emergency austerity budget implemented the week before the summit should serve as an exemplar to other countries, Cameron told reporters after the first day of the summit that ‘we put in place a tough but fair plan for fiscal consolidation in the budget last week and today the G20 welcomed those plans’ (Cameron, comments in Long 2010).

With the EU sovereign debt crisis deepening, the EU countries, and in particular the Germans, were also keen to emphasise the need for fiscal retrenchment, with the German delegation expressing strong support for Harper’s proposed plan for deficit reduction (Schäuble 2010). The day before the summit, German Finance Minister Wolfgang Schäuble had published an opinion piece in the Financial Times making the case for austerity policies. Drawing on an explicitly neoliberal understanding of the economy, Schäuble (2010) claimed that cuts to government spending announced by the German government would ‘increase incentives for the jobless to find work, reduce subsidies and trim the civil service’, terming the program an ‘expansionary fiscal consolidation’ in a direct repudiation of Keynesian logics. Further, Schäuble (2010) claimed that ‘restoring confidence in our ability to cut the deficit is a prerequisite for balanced and sustainable growth...This is what financial markets, in their unambiguous reaction to excessive budget deficits, are telling us’. Here the personified market

is back in the position of master, with the responses of the market apparently dictating to the German Finance Minister the fiscal policies the state must implement. Schäuble's argument that excessive debt impaired financial confidence and therefore prevented a return to growth proved highly influential at the Summit, and, as my subsequent analysis will demonstrate, features prominently in the Summit Declaration.

Whereas the delegations from Canada, the UK and Germany all favoured the rapid implementation of austerity policies, the US adopted a slightly more nuanced position, acknowledging the general case for fiscal consolidation, but arguing for a slower pace of deficit reduction (Sheel 2014). As noted in chapter 7.1, by 2010 Obama had accepted the logic of austerity policies in the domestic context, but nevertheless argued for a more gradual international consolidation, warning that 'we can't all rush to the exits at the same time' (Obama, comments in Long 2010). To some extent, the US position here was guided by national interest concerns, which favoured other countries continuing to stimulate demand for US exports. Further, debate between the US and other countries about the pace of fiscal consolidation was a debate within clearly neoliberal parameters, in which both sides accepted the necessity of austerity policies, but only disagreed about the extent and timing. In the end, the US agreed to the deficit targets, reflecting the broad international consensus on the necessity of austerity policies. There were some other dissenting voices at the G20 which favoured continuing fiscal stimulus – most notably, the Chinese and Indian delegations – but their concerns were largely marginalised in the final declaration, which adopted both the language of the austerity discourse, and strong targets for deficit reduction (Sheel 2014).

Turning to the documents produced at the summit, the Summit Declaration foregrounds the problem of government debt, and hence the need for fiscal retrenchment. The Declaration cautions that 'recent events highlight the importance of sustainable public finances and the need for our countries to put in place credible, properly phased and growth-friendly plans to

deliver fiscal sustainability’, adding that ‘concerns over large fiscal deficits and rising debt levels in some countries have also become a source of uncertainty and financial market volatility’ (G20 2010: 1). Reflecting the ‘expansionary fiscal consolidation’ theory, according to which austerity policies would encourage economic growth, the Declaration noted that ‘sound fiscal finances are essential to sustain recovery, provide flexibility to respond to new shocks, ensure the capacity to meet the challenges of aging populations, and avoid leaving future generations with a legacy of deficits and debt’ (G20 2010: 11). The Declaration also reproduced Schäuble’s claim that austerity policies would encourage business confidence and economic growth, warning that ‘the failure to implement consolidation where necessary would undermine confidence and hamper growth’ (G20 2010: 11). Accordingly, the Declaration accepted the ambitious deficit reduction targets initially proposed by Harper, with world leaders committing ‘to fiscal plans that will at least halve deficits by 2013 and stabilize or reduce government debt-to-GDP ratios by 2016’ (G20 2010: 12).

The logics used in the quotes in the previous paragraph reflect the discursive structure of the university. The demand for freedom from government tyranny that was evident in some of the domestic austerity narratives is entirely absent here, with fiscal retrenchment instead constructed as a necessary economic policy, required to respond to uncertainty and financial market volatility. Notably, the term ‘austerity’ does not appear in the declaration, which instead uses a more technical language of ‘fiscal consolidation’ and ‘sustainable public finances’. In replacing the affectively charged language of ‘austerity’ or ‘government cuts’ with the more economic jargon of ‘growth-friendly’ plans to achieve fiscal sustainability, the declaration again evidences the discursive structure of the university. The strongest evidence of the structure of the master discourse is in the more emotive demand to ‘avoid leaving future generations with a legacy of deficits and debt’ (G20 2010: 11), but in general the declaration favours the university construction of austerity policies, shielding the inherent class

antagonisms created by government cuts and presenting fiscal retrenchment as the impartial and necessary recommendation of economic experts. The declaration also fails to mention the bank bailouts, erasing the originary cause of the increase in government debt, and concealing the power relations involved in displacing the cost of the banking failure onto the broader population through government cuts.

Further evidence of the return to neoliberal hegemony at the G20 can be found in proposals for other neoliberal reforms. The Toronto Declaration contains an explicit demand for deregulation, proposing ‘reducing restrictions on labour mobility, enhancing foreign investment opportunities and simplifying product market regulation in emerging market economies’ (G20 2010: 13). Demands for ‘reducing restrictions’ and ‘simplifying product market regulation’ reproduce the pre-crisis neoliberal discourse, according to which government regulations constrict economic liberty and productivity, and should therefore be repealed. Regarding financial regulation specifically, the Toronto Declaration affirmed the Basel process, noting that ‘we took stock on the progress of the Basel Committee on Banking Supervision (BCBS) towards a new global regime for bank capital and liquidity and we welcome and support its work’ (G20 2010: 4).

The Toronto Declaration also proposed neoliberal-orientated reforms in labour markets, suggesting ‘better targeted unemployment benefits’ and ‘putting in place the right conditions for wage bargaining systems to support employment’ (G20 2010: 13). Adding heavy conditionality and reducing unemployment benefits in general would become central to the austerity policies pursued domestically, particularly in the UK, with the retrenchment of unemployment benefits also exerting a downward pressure on wages (Dunn 2014). The demand for the ‘right conditions’ in wage bargaining systems evidences the apparent empirical openness of the university discourse, in which experts would later determine the precise content of the most efficient wage bargaining systems. Yet later government actions to restrict the

rights of trade unions made clear that the ideal wage bargaining system outlined at the G20 was a neoliberal system, in which governments inhibited trade unions and reduced unemployment support in pursuit of a supposedly ‘free’ employment market. Other market-orientated measures included ‘strengthening competition in the service sector; reducing barriers to competition in network industries, professional services and retail sectors, encouraging innovation and further reducing the barriers to foreign competition’ (G20 2010: 13). The affirmation of the need to ‘keep markets open to the opportunities that trade and investment offer’ (G20 2010: 7) demonstrated a neoliberal commitment to the principle of free trade, combined with a market-friendly promise of ‘deeper support for private sector development, including through more private sector operations and investment, as a vital component of sustainable and inclusive development’ (G20 2010: 24).

7.3 The Return to Neoliberal Hegemony

By the conclusion of the Toronto G20, the multifaceted discursive conflict that emerged following the Global Financial Crisis had been effectively resolved, with neoliberal forms of governmentality returning to the ascendancy. Neoliberal actors had successfully reconstructed the crisis to fit the narrative frame of the neoliberal fantasy, transforming a crisis of the market into a crisis of the state. The result was a decade of austerity policies, accompanied by renewed waves of privatisation and deregulation (Hancock 2019; Theodore 2020). Of course, further challenges to the dominant neoliberal construction of our reality continue to emerge, from the anti-neoliberal dimensions of contemporary far-right populism, to the apparent revival of the state necessary to combat the Covid-19 pandemic. Yet the evidence thus far suggests that these latest challenges to neoliberalism will be neutralised by the same formula adopted in the GFC – that is, warrant the exceptional use of state power in the crisis, but then find some element of

the state that must ultimately be responsible for the crisis, to justify the intensification of the fantastic pursuit of an ever-freer market.

In this final section, I substantiate my claim that neoliberal narratives restored their dominance in the aftermath of the crisis by relating the five different narratives I have analysed to political and electoral successes in the US and UK. My purpose here is not to suggest that the adoption of a certain narrative by a particular political actor ‘caused’ their electoral victories. Rather, by situating the five narratives I have outlined in relation to the electoral fortunes of their different proponents, I highlight the failure of the critical narratives, and the ultimate return to hegemony of neoliberal constructions of the political and economic.

The Status Quo Narrative

In the United States, President Bush was most closely associated with the status quo narrative of the crisis. During the onset, Bush sought to minimise the severity of the crisis, claiming that because his government had been guided by free market principles, any economic downturn would be limited. The failure of the status quo narrative is evident not only in Bush’s remarkable unpopularity – he left office with a disapproval rating higher than any President in US history (FiveThirtyEight 2021) – but also in his eventual concession of the magnitude of the crisis, with Bush admitting shortly before he left office that he had ‘abandoned free market principles to save the free market system’ (Bush 2008d). The failure of the status quo narrative in the United States also impacted the electoral fortunes of Republican Presidential nominee John McCain. Days before the collapse of Lehman Brothers, McCain (comments in Dow Jones Institutional News 2008) had followed Bush by claiming that ‘the fundamentals of our economy are strong’, a line that would feature prominently in later Democratic attack advertisements, and was viewed by many as a pivotal turning point in the election campaign

(Hillygus and Henderson 2010: 242). Though McCain would also later disavow the status quo narrative and recognise the severity of the crisis, his previous insistence on the strength of the free market system tied him to the unpopular Bush administration, significantly hampering his electoral fortunes.

In the United Kingdom, both Labour Prime Minister Gordon Brown and Conservative Opposition Leader David Cameron had initially adopted elements of the status quo narrative, evidencing a shared conviction that financial markets operated according to free market principles, and therefore were fundamentally sound. The bank-run on Northern Rock, followed by the spreading turmoil from US financial markets, convinced both leaders to abandon the status quo narrative. As noted in chapter 5, some media outlets continued to deny the severity of the crisis well into 2008, but by then political leaders had pivoted towards recognising the severity of the crisis, and the need for significant action.

The Free Market Failure Narrative

Though the free market failure narrative was very prominent in media constructions of the crisis, few politicians in the US explicitly adopted this frame for understanding the crisis. Reflecting the substantive positive valence associated with the free market in the US context, Presidential candidates such as Barack Obama and Hilary Clinton instead favoured the ‘true free market’ narrative, leaving only outsider political figures such as Bernie Sanders to construct the crisis as a result of free market policies (see for instance Sanders 2008). In the UK, Gordon Brown did initially frame the crisis as a result of the free market, variously declaring the end of ‘the old era of unbridled free market dogma’ (Brown cited in Wintour 2009a), and that ‘the world of the old Washington Consensus is over...we must reshape our global economic system’ (Brown 2009b). However, with his polling numbers falling, Brown

subsequently moved away from the free market crisis narrative, influenced partly by his political history as a neoliberal reformer, and partly in response to attacks from the Conservative opposition, who from late 2008 embraced the third narrative of the crisis, the ‘true free market’ narrative.

The True Free Market Narrative

From late 2008 Conservative leader David Cameron increasingly constructed the crisis according to the logic of the ‘true free market’ narrative, claiming that the Labour government’s excessive deregulation represented a rejection of the ‘true’ principle of the free market. As Cameron put it, the underlying cause was Brown’s ‘irresponsible capitalism’, which Cameron would reform to create ‘responsible free enterprise, regulated and supported by responsible government’ (Cameron 2008). The success of Cameron’s narrative framing is evident in Brown’s later turn towards the ‘true free market’ narrative. From April 2009, Brown largely abandoned the ‘free market crisis’ narrative, instead claiming that the influence of American finance had distorted the free market system he had previously built, and promising to work to ‘build anew a market system which respects the values we celebrate in our everyday lives’ (Brown comments in Parker and Giles 2009).

In the US context, I noted that President Obama was the chief proponent of the ‘true free market’ narrative, supported by other figures in the Democratic party. From early 2008, Obama claimed that the Bush administration had abandoned the free market through excessive deregulation and cronyism, and that only Obama could restore sensible ‘rules of the road’ to ensure the functioning of the free market system. Obama’s narrative proved highly successful in the 2008 Presidential election, helping to secure his landslide victory over John McCain. The persuasiveness of Obama’s narrative can also be highlighted in McCain’s eventual

adoption of Obama's terms of debate, with McCain admitting that 'the foolish risk-taking of lenders, investment banks, and others that led to these troubles don't reflect our free market as it should be working' (McCain comments in Ward 2008). In electoral terms, the 'true free market' narrative was clearly hegemonic by early 2009, adopted by all the major parties in the US and UK, and helping propel Obama to his landslide electoral victory in November 2008.

The University Discourse

The university discourse did not offer a straightforward narrative of the crisis, but was rather a discursive structure adopted successfully by various neoliberal actors during the crisis. Firstly, I noted how the apparent post-ideological pragmatism of the university mode of discourse allowed previously neoliberal politicians to justify their support for the bailouts and fiscal stimulus, using the crisis as justification for a departure from otherwise sound free market principles. Secondly, I demonstrated how the university discourse stymied calls for reform in the aftermath of the crisis, by demanding that the process of reform be deferred to the technical expertise of banking experts and economists. Finally, I highlighted the role of the university discourse in justifying the turn to austerity in both the United Kingdom and the United States. Proponents of austerity drew extensively on the works of supposedly neutral academic economists to present austerity policies as an unfortunate necessity, concealing the political antagonisms at play through recourse to (often flawed) expertise. The university mode of discourse was thus central to the eventual return of neoliberal forms of governance, maintaining the validity of basic neoliberal categories of analysis during the onset of the crisis, and then claiming that an objective analysis of the evidence warranted the return of the free market.

The Return of the Free Market/Austerity Narrative

My analysis demonstrated that by 2010 the austerity narrative was largely dominant at both the G20 and in domestic politics, a dominance reflected in the various victories of pro-austerity politicians in 2010. In the UK David Cameron's Conservative party, which campaigned on an explicit platform of austerity policies, won the highest share of the vote at the 6 May 2010 general election, forming a coalition government with the Liberal Democrats who had also advocated for austerity policies. As previously noted, Gordon Brown's Labour party had pivoted towards austerity policies from late 2009, although had campaigned on a platform of less severe cuts than those proposed by the Conservatives. The 2010 UK General Election therefore demonstrated the hegemony of the austerity narrative in UK politics, with all major parties accepting the need for fiscal retrenchment, and the party advocating for the harshest consolidation winning the largest share of votes.

In the US, I noted that Obama accepted the necessity of spending cuts from mid-2009, while the Republican opposition coalesced around Tea Party demands for significant cuts to government expenditure. The success of the austerity narrative was reflected in the widespread victories recorded by Republican candidates at the 2010 midterm elections, in which government spending and debt featured as among the most prominent issues (Jones 2010). With a platform that was highly critical of increased government expenditure under Obama, and which adopted the openly neoliberal goals of state retrenchment and limited government, Republican's won the popular vote by a margin of 6.8%, the largest midterm swing since 1938 (Galston 2010). Thus, by 2010 proponents of the austerity narrative were politically dominant in both the United Kingdom and United States.

In the previous chapters, I have traced the shifting narratives of the financial crisis and the competing constructions of the free market. Though the pre-crisis hegemony of the free market was challenged, and the crisis opened up the space for the consideration of alternatives, opponents of the free market constituted their understanding of reality according to the hysteric's discourse, implicitly accepting the mastery of the free market, and thereby terminally constraining their ability to offer an alternative. I have also demonstrated the crucial role of the university discourse, which was able to maintain the influence of neoliberal categories of analysis during the height of the crisis, and then offer a supposedly empirical case for the return of the free market. Finally, I have analysed the functioning of fantasy in the return of the neoliberal master discourse, which was able to reconstruct a crisis of the market into a crisis of the state, and therefore justify the intensification of neoliberal forms of governance through austerity policies. Neglected thus far, however, is the discourse of the analyst. In my conclusion, I turn to the possibility of thinking beyond the free market.

Conclusion: Towards a Discourse of the Analyst?

In the introduction, I enumerated two key questions relating to neoliberalism in the crisis; firstly, what exactly is neoliberalism, and secondly, how does neoliberalism continue to thrive in spite of its repeated failures. In concluding, I draw out my answers to these two questions, and then consider a third question, namely, can we think beyond the neoliberal horizon of the free market and the state? To traverse the neoliberal fantasy, I engage with Lacan's discourse of the analyst, which offers the possibility of a discourse which transcends the confines of the master and the hysteric, and insists on the possibility of alternatives. I conclude that in spite of the evident dominance of neoliberal constructions of the political and the economic, the accelerating crises of neoliberalism continue to offer emancipatory opportunities to craft new constructions of our shared reality that can supplant the narrow neoliberal preoccupation with market freedom.

What is neoliberalism?

Throughout this work, I have argued that neoliberalism is best understood as a dominant discourse that locates the entirety of our political and economic reality within the binary of the free market and the state. Neoliberalism is also a discourse with a particular history, amenable to genealogical investigation. In chapter 3, I located the origins of the free market discourse in the 1930s, in the response of classical liberals to the failures of laissez-faire, the Great Depression and the rise of totalitarianism. I demonstrated that the foundational neoliberal binary between the free market and the state emerged out of the crisis of liberalism, as the concept of the free market offered neoliberal thinkers the means to reconcile the liberal demand for individual freedom with the need for a stable and prosperous social order. In chapter 4, I traced the transition of neoliberalism from dominated to dominant discourse, highlighting the

structural features that strengthened the hegemonic position of the neoliberal discourse. In particular, I pointed to the role of the neoliberal fantasy – that is, the narrative that promised a three-fold *jouissance* of freedom, order and prosperity, if only the state could finally be removed – in conjunction with the functioning of the university discourse, a form of free market advocacy that presented neoliberal ideas as impartial and empirical common sense. I concluded that by the early 2000s, neoliberalism had become the dominant discourse for making sense of our shared reality, with both supporters and critics of neoliberal ideas generally adopting the neoliberal ontological binary of free market and state.

Treating neoliberalism as a discourse also helps to account for the significant variations within neoliberal thought. Part I highlighted the many points of divergence between the early neoliberals, the ordoliberalists, the Austrians, and the Chicago neoliberals. More materialist approaches to neoliberalism inevitably struggle to account for what exactly is the unifying ‘neoliberal’ feature of the various thinkers and material practices that have been described as neoliberal. I demonstrated that common to all these different schools of neoliberal thought is the belief that the free market is the ideal instrument for organising our economic and social reality. In chapter 3.2, I theorised the free market as the master signifier of neoliberalism, suggesting that the free market functions as the final referent in neoliberal ideology, concealing antagonisms and providing the ultimate justification. Though the free market may be rendered in many different ways by different thinkers, a commitment to the free market as ideal remains the defining feature of neoliberalism.

Finally, neoliberalism is also a discourse that engenders a particular set of material practices. These have included privatisation, deregulation, marketisation, fiscal austerity, tax relief, labour market reform and the retrenchment of welfare. Crucially though, the particular material practices designated as neoliberal can change, as different policies can be situated and re-situated in relation to the free market master signifier. For instance, in chapter 4 I noted that in

the 1980s the need for an independent monetary policy and central bank independence was a key neoliberal demand, which was largely implemented in advanced economies. In chapter 7, I demonstrated that some neoliberals claimed that central banks exercising independent monetary policies constituted an impermissible state intrusion into the free market, responsible for the outbreak of the crisis. A particular material practice can always be reconstructed as an attribute of the free market or of the state, and what is one day called the free market can the next day be the state. Neoliberalism should not therefore be conflated with any one particular material practice, but must rather be understood as an approach that divides economic and political reality into the binary of free market and state, attributing positive valence to all that sits on the side of the free market, and negative valence to all associated with the transgressive state.

How does neoliberalism continue to survive?

The second question that framed this work was the problem of neoliberal survival in the crisis. From the 1990s onwards, the death of neoliberalism has been frequently proclaimed (see for instance Hobsbawm 1998; Wade 2008; Bazian and Leung 2018), yet in spite of these repeated predictions of neoliberal demise, the hegemony of neoliberal ideas invariably persists. The GFC was an exemplary case of neoliberal discursive dominance, with the initially widespread belief that the crisis constituted the end of neoliberalism rapidly replaced by a consensus that the legacy of the crisis was an intensification of market forms of governance. My argument was that to account for the ongoing dominance of neoliberalism, we must understand neoliberalism not as a system of accumulation or as a mystifying ideology, but rather as a dominant discourse that constructs our shared understanding of economic and social reality. Accounts that define neoliberalism as a late stage of capitalist development cannot explain the apparent oscillation between the adoption of Keynesianism in the immediate aftermath of the

crisis, followed by the almost immediate return of an intensified neoliberalism. Economic systems cannot transition rapidly between different paradigms or structures in the space of twelve months, and hence the apparent demise and then resurgence of neoliberalism in the crisis must be accounted for by understanding neoliberalism as a discourse, which briefly gave way to alternative discursive constructions of the economy during the onset of the crisis, but promptly returned to discursive hegemony, reconstructing the facts of the crisis to fit the neoliberal narrative of state failure and market success.

At stake therefore in the dominance of neoliberalism is not the dominance of a particular material organisation of the means of production, but rather the question of the dominance of a particular way of seeing the world, a construction which reduces our reality to the binary pairing of the free market and the state. In chapter 5, which principally considered narratives of the crisis developed by critics of neoliberalism, I highlighted that even the opponents of neoliberalism adopted a neoliberal ontology in their analyses of the crisis, using the categories of free market and state to make sense of the cause and necessary response to the crisis. Though the valence attributed to the categories was typically reversed, with the state constructed as ideal and the free market as transgressor, in attempting to hold the free market responsible for the crisis and resurrect the state as solution, the critics of neoliberalism inadvertently shared in the work of transcribing these neoliberal constructs into our social reality. As Judith Butler (2006: 18) puts it, ‘the effort to identify the enemy as singular in form is a reverse-discourse that uncritically mimics the strategy of the oppressor, instead of offering a different set of terms.’ Both figures such as Obama, who sought to reintroduce regulation to restore the ‘true’ free market, and those such as Brown, who claimed that the nationalisation of the banks signalled the return of the state and the end of the free market, contributed to the inability to think beyond the restrictive neoliberal ontology of free market vs. the state. Critics of neoliberalism therefore helped to naturalise the neoliberal account of social reality, ensuring

that the arbitrary constructs of ‘free market’ and ‘state’ were widely viewed not as neoliberal ideology, but rather as concrete objects in the world. The pervasiveness of neoliberal ontological presumptions even in the worldview of its purported critics is therefore a key aspect of the dominance of neoliberalism.

I also foregrounded the importance of fantasy narratives in maintaining the hegemony of neoliberalism. In chapter 4, I outlined the basic structure of the neoliberal fantasy, in which the ‘free market’ functions as the crucial object of desire, constructed as uniquely able to restore unity to the divided subject and deliver transcendental freedom, order and material prosperity. The neoliberal fantasy narrative determines *a priori* that all historical and material progress is necessarily a result of the free market, and that any failings can be blamed on its binary opposite, the transgressive state. The fantasy therefore purports to explain the entirety of our economic and political reality, and prepares in advances for its own failures, as each fresh crisis of neoliberalism can be constructed as a failure of the state, and as evidence of the need to intensify the Sisyphean pursuit of the free market ideal. In chapters 6 and 7, I examined the importance of fantasy narratives in preserving neoliberal hegemony during the GFC. Again, in contrast to materialist accounts of neoliberalism, I highlighted the basic indeterminacy of objects of analysis within the discourse of neoliberalism, demonstrating that concepts such as deregulation and independent monetary policy could be situated as alternatively compatible and incompatible with the free market. Proponents of neoliberalism during the GFC were therefore able to reconstruct policies previously seen as neoliberal as instead being aspects of the transgressive state, shifting blame from the free market to the state, and justifying their calls for the intensification of neoliberalism. The dominance of the neoliberal fantasy must therefore be located in the ability of the narrative frame to determine in advance that any economic or political success must be the result of the free market, and any failure the result of the remaining elements of the state, meaning that the free market fantasy can essentially explain any outcome.

As Žižek (2008: 50) puts it, ‘an ideology really succeeds when even the facts which at first sight contradict it start to function as arguments in its favour’.

Finally, using Lacan’s framework of the four discourses, I highlighted the synergy between the master and university discourses in neoliberal narratives of the crisis. In chapter 6, I demonstrated that during the early stages of the crisis, when the neoliberal master discourse was struggling to explain the apparent failure of the free market and necessity of widespread state intervention, it was the university discourse that was able to defend neoliberal common sense and prevent the complete marginalisation of neoliberal understandings of the economy. Initially, proponents of the university discourse invoked the severity of the crisis as a justification for the departure from ‘purer’ neoliberal policies, before subsequently pivoting to a more historicised position, which sought to minimise the severity of the crisis and claimed that on balance the events of the GFC were not enough to warrant a permanent departure from the historically successful free market. I also highlighted the epistemological dimension of the university discourse, whereby neoliberal actors claimed that decisions regarding the reform of the economy were technical questions of expertise, rather than political questions of distribution, and should be left to disinterested economists and banking experts. The university discursive mode was therefore able to stymie calls for substantive reform during the interregnum of the crisis, preserving the centrality of neoliberal understandings of the economy, and preparing the ground for the return of the master discourse I outlined in chapter 7.

Can we think beyond the horizons of the free market and the state?

Yet we must insist on our demand for a new Sociology, or for new Words, at least, which would deliver us from the pressing evil of being utterly unable to describe the most trivial events of our time without implying precisely the opposite of what we intend to convey (Karl Polanyi 1934, cited in Lacher 2019: 672)

If there is one point that I have tried to consistently foreground throughout this work, it is that the process of transcribing neoliberalism into reality has been the shared endeavour of both supporters and critics of neoliberalism. Even in critiquing the free market, we contribute to the inability to think beyond the restrictive neoliberal ontology of free market vs. the state. To truly ‘traverse the fantasy’ of neoliberalism thus requires an entirely new system of signification, a set of ‘new Words’ to borrow from Polanyi. To continue to contest the crises of the political on the grounds of the free market vs. the state is to participate in a game whose conclusion is determined in advance. In gesturing to the possibility of a new language of the economic and the political, I now return to Lacan’s discourse of the analyst.

In the clinical context, the analyst’s discourse can only be produced by the analysand. At the beginning of the therapy process, the analysand typically places the analyst in the position of master, believing that the analyst has the answer to all of their problems. Over time though, the analysand comes to realise that the analyst is also fundamentally lacking, and cannot provide a satisfying answer to their questions. If the therapy is successful, the analysand comes ‘to the realisation that the analyst-master is an empty signifier, an epiphany that hopefully extends to their comprehending, in turn, the emptiness of *all* master signifiers’ (Mathews 2020: 119). Rather than providing answers, the role of the analyst is to help the analysand recognise that ‘at the heart of human subjectivity there is an impossible lack or emptiness that cannot be overcome’ (Newman 2004: 303), but in the process of that recognition, to open up the space

for the analysand to craft their own discourse. As Lacan (2007: 70) puts it, ‘don’t expect anything more subversive in my discourse than that I do not claim to have a solution’.

Earlier in this work, I might have given the impression that I would conclude by offering an outline of a new emancipatory language of the economy that would transcend the boundaries of neoliberalism, and finally give a true rendering of the capitalist systems of inequality that dominate our world. If I have been successful in moving into the position of the analyst, it should by now be clear why providing such a discourse is impossible. Part II of this work contained chapters on the master, university and hysteric discourses, but absent was the discourse of the analyst. Had I included a chapter on the discourse of the analyst, it could have been nothing but a single page, left intentionally blank. My concluding gesture then is to refuse to take on the position of master, and to instead open up a blank space in the hope that it might be filled by a new discourse that will surpass the neoliberal horizon. To aid this endeavour, I have sought to denaturalise the basic neoliberal categories of analysis that pervade our contemporary moment, and to traverse the neoliberal fantasy by unravelling the sources of its affective potency. Most importantly though, I hope to have revealed, in the words of the late David Graeber (2009: 514), that ‘the ultimate, hidden truth of the world is that it is something that we make, and could just as easily make differently’.

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Appendix I – Corpus Details

Appendix I details the different components of the corpus of texts that informed the analysis in part II. The corpus comprised of four main sources:

1. Newspaper articles
2. Politicians speeches
3. G20 documents
4. Thinktank output

1. *Newspaper articles*

The newspaper articles were drawn from six different publications, and sourced from Factiva database using the following search term:

“(‘free market’ or ‘free-market’) and (crisis or crises)” from 01/01/2007 to 31/12/2010.

The different publications, and number of articles included from each publication, is detailed in the table below:

	Left-leaning	Right-leaning	Financial Press
United Kingdom	The Guardian (592)	The Telegraph (288)	Financial Times (896)
United States	New York Times (330)	Fox News Online* (260)	Wall Street Journal (635)

* note Fox News Online included some transcripts of cable news shows. These were included because the purpose was not to provide a direct comparison of different newspapers, but rather to create an empirical corpus that was representative of competing political discourses across different national contexts and political perspectives.

2. *Politician’s speeches*

Politician’s speeches were included for the following figures:

- Gordon Brown, UK Prime Minister
- David Cameron, UK Prime Minister
- George Bush, US President
- Barack Obama, US President

Speeches were accessed from official archives, and included all major speeches delivered by the above figures from 01/01/2007 to 31/12/2010.

3. *G20 Documents*

G20 documents included in the corpus were the following:

- Washington Summit Declaration (15 November 2008)
- London Summit – Leaders’ Statement (2 April 2009)
- Declaration on Strengthening the Financial System – London Summit (2 April 2009)
- Leaders’ Statement The Pittsburgh Summit (24 September 2009)
- The G20 Toronto Summit Declaration (27 June 2010)

Speeches from individual leaders delivered at the summits were included on an ad hoc basis.

4. *Thinktank output*

The output from the following thinktanks were also included in the corpus:

- The Adam Smith Institute (UK)
- Institute of Economic Affairs (UK)
- Centre for Policy Studies (UK)
- The Heritage Foundation (USA)
- Cato Institute (USA)
- Mises Institute (USA)

Output included both formal reports, and informal opinion pieces published on thinktank websites or in various media publications.