Book Review

Colin Crouch

The Strange Non-Death of Neoliberalism

Cambridge: Polity Press, 2011. 224pp. ISBN:

Reviewed by: Aidan Regan, Max Weber Fellow, European University Institute (EUI)

The central question of this book could not be more pertinent: why is it that in the aftermath of the great financial crisis neoliberal economic ideas have emerged not only unscathed but more powerful than ever before? The explanation that Colin Crouch provides is that 'actually existing' neoliberalism is not at all about the efficient operation of free competitive markets but the political dominance of the multinational corporation over both the market and the state. Much like the 'varieties of capitalism' (VoC) school of thought, in comparative political economy, this book puts the firm at the centre of its analysis, and attempts to move beyond what Crouch considers outdated political debates on 'states versus markets', which tend to bypass corporate governance. But unlike VoC, this book analyses the role of the firm in significantly less benevolent terms. The argument that powerful corporations increasingly shape both the market and the polity has the advantage of making explicit the underlying political beneficiaries and material interests of neoliberalism. The core problem of the book, however, which I will return in the conclusion, is that Crouch does not probe or discuss these underlying interests nearly far enough.

The book begins with a *tour d'horizon* of democratic capitalism in Europe, namely the post-war political compromise of market allocation and democratic distribution in Keynesian welfare states. Crouch concludes that the Achilles heel of these social democratic variants of capitalism was the Keynesian commitment to full employment, encompassing collective bargaining and a generous welfare state. This led to inflationary tendencies and growing public indebtedness that proved, as Hayek had predicted, unsustainable. When the Keynesian model imploded the political space for the neoliberal policy paradigm emerged, premised on a defence of free market economics. The book provides a theoretic-analytic account of the model of pure markets, that are derived from these neoclassical economic ideas, and that underpin the cognitive and normative justification of neoliberalism. Much like what Marx did in *Das Kapital,* however, Crouch accepts these models in order to show how unrealistic their underlying assumptions really are. In the neoclassical model of supply and demand, optimal prices emerge at that point (equilibrium) where consumers and producers operating in a free competitive market intersect. Anything that interferes with this 'natural' market process such as a minimum wage upsets the equilibrium and is considered, by definition, inefficient.

It is this *a priori* assumption of a competitive economy between isolated consumers and producers where Crouch carves out the space for his empirical critique. In the competitive market model, as argued by many comparative political economists, the firm is nothing other than a nexus of private contracts. This, Crouch argues, is the fundamental error of these theories, and that we have to make an empirical distinction between the market and the firm. Neoliberals conveniently conflate the two with the implication that all the beneficial efficiencies associated with the 'market' are now attributed to the multinational 'corporation'. This sleight of hand is no accident and emerged, in particular, from the Chicago school of economics, who successfully argued that consumer welfare is best maximised when the overall wealth of an economy increases. How this is distributed is not important. If the most efficient way to achieve an aggregate increase in wealth is through large corporations taking over small firms then so be it. Using empirical examples on anti-trust legislation in the US and the extensive lobbying activities of multi-national firms over public policy, Crouch concludes that what these economists ultimately defend is the corporate takeover of the market. This has undermined competition, and hence the core assumption of the free market model. One only has to observe the influence of private insurance companies over the

proposed Obamacare healthcare policy reforms to elucidate this point.

Crouch pushes the point further when he analyses the privatisation and marketization of public services in the UK. The outcome of trying to reduce the role of the state in the economy, that neoliberals actively espouse, has simply opened up the space for the dominance of private firms and private contractors over public institutions. The relationship between private business interests and the democratic polity has become blurred, and therefore removed from political contestation. This increases the possibility of corruption and ultimately undermines liberal democracy, even if Crouch does not quite put it in such stark terms. The empirical conclusion that neoliberalism is ultimately about the corporate takeover of the polity, and the market, can be directly observed in the current financial crisis which was preceded by a period of what Crouch innovatively calls 'Privatised Keynesianism'. In the Keynesian paradigm the state took on public debt to stimulate the economy, but in the neoliberal paradigm it is individuals, households and private firms who take on debt to stimulate the economy, hence the concept 'privatised' Keynesianism. Debt is fundamental to both models. To compensate for declining wages, and the insecurity of flexible labour markets, individuals stimulated aggregate demand, and their consumption habits, through the credit card. The growth of finance markets, for a period, benefitted both consumers and corporate firms alike.

It is precisely here, in the aftermath of the financial crisis, and the bursting of the credit bubble, that we can explicitly observe the dominance of corporations over public policy. Private banks that were "too big to fail" have been bailed out by taxpayers but simultaneously demand that democratic states cut back the provision of public services and social security to pay for their debt. If national governments don't follow the policy prescriptions of financial markets they are quickly threatened with increased bond yields, making it difficult to service the interest on public debt. This power of anonymous finance 'markets' over public policy, in reality, is the dominance of powerful financial 'corporations', namely private banks, insurance companies and hedgefund managers. In the final chapters of the book Crouch concludes that the only way to solve this dominance of the corporation over the economy is to politicise civil society, and drag private corporations into the public sphere to be held accountable for their actions. In essence, this is a defence of consumer sovereignty, to make corporations more socially responsible. He sees little or no role for the democratic state, or politics, in the civil society response, a conclusion that leaves the reader somewhat baffled.

There are three problems with the book. First, for an analysis on the corporate takeover of the market and polity, Crouch has remarkably little to say about social class, politics and power. One of the defining features of western economies over the past twenty years is an explosion in income inequality, which is the direct outcome of business strategies and political decisions that have been taken in the material interests of those who own private market resources. The underlying class-coalition dynamics of this shift, particularly the relationship between political and business elites, necessitates a much more fine grained analysis. Second, and related to the first, the proposed alternative to deal with the implicit crisis of democracy, that Crouch has exposed, is utterly unconvincing. No amount of rethinking values and civil society will alter the material distribution of income and power without using the state. Political parties, legitimised by the electorate to implement distributional policies, are shaped by inputs from civil society, but political parties in government, as representatives and decision-makers of the state, cannot be replaced by them. By overlooking politics in this way, Crouch reinforces the neoliberal economic and left-libertarian critique of the democratic state. Third, the book is surprisingly short on empirical detail, and does not engage with the existing literature in comparative political economy on the very topic being discussed. If it did, Crouch would be forced to engage more seriously with those analysing business power and the underlying political-class coalitions that institutionalise neoliberalism as a socio-economic order. Crouch acknowledges this, however, and explicitly states that the book is not designed to engage in academic debates and therefore does not offer detailed references for further reading.

All of this aside, the book is an excellent contribution to the study of political economy and directly resolves the puzzle it has identified, namely, why has neoliberalism emerged unscathed from its

own crisis? The answer is that neoliberalism is not about free markets at all but powerful corporations who have the resources to dictate the political response. This corporate takeover of the market and politics should be a serious cause for concern to all those who take democracy seriously.