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Neoliberalism as a Political Programme and Elements of its Implementation

A Narrative in Theoretical History

SUMMARY: Through the analysis of relevant literature, the study seeks to answer how the interactions of economic theories and social stakeholder groups is implemented in practice. The conclusion is that neoliberal ideology may be interpreted as a political programme of a social stakeholder group. The study presents the theoretical source of the programme: the operation of the Mont Pelerin Society, a political movement of economists and social philosophers, and it also puts forward examples for theoretical innovation in economics surfacing as early as the seventies, which facilitated the redefinition of the role of the state. The analysis highlights mechanisms reflecting the social acceptance of neoliberalism, such as the setting up of a network of think tanks, which, for the first time in the history of economics, were applied with great success by thinkers related to the Mont Pelerin Society. The unique relationship of theories and social stakeholder groups is well reflected in the fact that the institutional system disseminating theories of marketisation could never have been established without industrialists.¹

KEYWORDS: neoliberalism, Mont Pelerin Society, theoretical history

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Economics has an unavoidable social dimension, one which opens the door to blurring the lines between ideology and science (Hillinger, 2006). Social science theories always present the human world from the researcher's perspective, and this forces social sciences to face an irresolvable dilemma, worsen their position and perception among proponents of natural sciences. One of the objectives of social science theories is to understand and interpret the world. But given that all theoretical models are based on simplification, paired with hu-

man subjectivism this leads to theories where scientific content is called into doubt (Dowd, 2000). Certain theories, such as the Marxian theory for example, were refuted by history, but refuting DSGE models could also prove to be an interesting experiment. If the predictions of the theory turn out to be different from empirical results, the given social science modeller can always claim that their model, be it equation systems filling entire books or simple rules of thumb, makes useful simplifications and offers a logical structure.

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FRIEDRICH HAYEK AND GENERAL MOTORS

Stiglitz (2017) is not the only economist who feels that DSGE models, the most scientific family of models by mathematical standards, are themselves also ideological freaks: they seek the philosophical concept of equilibrium in a world without one, and have nothing to say on income inequalities and their impact hindering economic growth.² On account of social embeddedness and the necessity of simplifying assumptions, the question arises whether social science models can truly be considered ideologies. The methods, theories and institutions of economics, i.e. the mainstream is not just the result of internal mechanisms within science, but also depends on the demands and needs put forward by historical reality (Porter et al., 2003). By analysing relevant literature, our study aims to answer the questions of how this process works in practice, whether neoliberal ideology can be interpreted as the political programme of a social stakeholder group, and if yes, where this programme originates from and what mechanisms its representatives used to make it a success.

As an introductory example let us look at the case of *Friedrich Hayek* and the US-based General Motors. The leading figure of the Austrian school of economics, in line with the school's general direction, rarely used mathematical models, yet still managed to create clear and structured models bordering on social philosophy (White, 2003). One of his most well-known statements was motivated by concern for the future of state capitalist systems during WWII. In *The Road to Serfdom*, his work published in the forties and which became Hayek's key social science oeuvre, he stated no less than that the slightest increase in the economic role of the state would ultimately lead to a permanent

totalitarian system. The first step on the 'slippery slope' to dictatorship had already been made by most countries at that point, as the economic policy model of the World War was planned economy both in the West and the East. Hayek's model describes a path of social development, but in the meantime its conclusions calling for action are also unambiguous (Hayek, 2001).

It is an interesting example of social context that a cartoon version of Hayek's theory was also published (White, 2012).³ The presentation of this carefully elaborated scientific theoretical framework through a few dozen drawings was not aimed at scientific evaluators, and in fact in this particular shape and form it was no different than Soviet propaganda papers.⁴ Hayek promoted the values of individualism and liberalism, and most likely he did this so convincingly that one of the era's largest US companies, General Motors, became the main sponsor of the cartoon.⁵ All this raises numerous questions concerning the relationship of social stakeholder groups and economic theories, in this particular case, neoliberalism. This particular case puts a spotlight on the contradiction that the promotion of the simplified theory of Hayek, who actually wishes to remove conscious planning from the economy looking to replace it with the market as an information processing mechanism, was actually realised by an economic planner. The conglomerates of the period following the World War themselves were also components, operators of the US successes of economic planning during the World War. This is not a unique example of the phenomenon where in the United States of the second half of the 20th century, companies and capital owners pursued a pre-defined strategy in support of neoliberalism which provided them with a favourable economic policy (Mirowski – Plehwe, 2009).

THEORETICAL INNOVATIONS SUPPORTING THE REDUCTION OF THE ROLE OF THE STATE

The seventies saw the start of a new era for economic theories, which can be traced back to numerous reasons. The Keynesian period lasted for quite some time, offering stability and dynamically rising real wages to a large number of workers. *Roger E. Backhouse* (2005) reviewed the possible reasons that led to the failure of this period. Firstly: the period of full employment lasted so long that economists and economic policy makers, due to the socio-economic context, turned their attention away from employment policy, interpreting full employment as a feature rather than the result of purpose-driven policy planning. Active governments attempted to manage the disadvantages and failures of the markets, and as a result the focus of scientific interest shifted from market failures to government, something which was also promoted by the fact that the stagflation of the seventies created a new world economy situation (Backhouse, 2010). Keynesian economics was not prepared for the joint rise in inflation and unemployment, hence it suddenly lost its explanatory power. This is why the notion arose that micro-foundations may be needed to avoid future crises, which may have also been motivated by philosophical sympathy for individualism (Morgan, 2001). The internal tensions and contradictions of the Keynesian school cannot be disregarded either (Palley, 2004).⁶ According to *Madra and Adaman* (2010), in addition to socio-political and economic factors, geopolitical and technological factors also played a role in the revolution of neoliberalism.

In response to the new world economy environment, science started to work on developing new theoretical models, stating the obvious truth, namely the failure of government

economic policies. As of the seventies, instead of market failures, academic discourse was increasingly focused on government failures (Palley, 2004). A paradigm shift took place in science in the Kuhnian sense, as economists adopting neoliberal principles attempted to convince scientific society to accept the new scientific paradigm. As a reaction to stagflation, *Milton Friedman* said that active fiscal and monetary policy is, at best, ineffective due to timing problems among other things (see Rosenbaum, 1985). The hypothesis of permanent income served as an explanation for the failure of fiscal policy, according to which consumers do not spend excess income immediately, rather they put it away as savings if they consider such excess income to be temporary. This led to the rejection of the theorem of the Keynesian period: the short-term stimulation of demand is doomed to fail according to new theories. By reviving the Ricardian equivalence theory, neoclassical macroeconomics also argued that a temporary tax reduction will not increase consumption as rational consumers, thinking in a longer time horizon, are well aware that the cost of such easing is to be paid by them down the line. Human expectations, be it adaptive or forward-thinking rational expectations, were assigned an important role in new theories, which allowed Friedman to explain stagflation by modifying the Phillips curve. In his view, economic players simply change expectations if money supply increases, but the unemployment rate remains unchanged (Vroey, 2001).

Thus, starting from the seventies, economic theories started focusing on the mistakes of governance, tracing the phenomena of stagflation back to these errors (Palley, 2004). According to the hypothesis of rational expectations, governance cannot 'mislead' rational and well-informed people in the long term, as they use all available information when reacting to economic policy measures (Muchlinski, 1999).

The time-inconsistency of government also pointed out that if the government has an opportunity to pursue discretionary policies, then this leads to economic damages in the long run. Instead, rule-based policy and the mechanisms of commitment to these policies are needed for credible and efficient economy policy.

The new generation of economic theories also shifts its focus to government. The public choice movement focuses on the mistakes of economic policy makers, applying the neoclassical analytical framework to politicians (Tullock, 2002). It considers the sphere of politics to be an area of operation of the market, and reaches the conclusion that politicians are rational people in the pursuit of self-interest. As serving the public good is not their primary goal, preventing them from pursuing active discretionary policies by establishing rules and institutions is recommended (Butler, 2012). This is how *James M. Buchanan, Gordon Tullock or George Stigler* (who were members of Hayek's Mont Pelerin Society) all argued. Tullock also developed the theory of rent-seeking on how stakeholder groups hold the state captive, although paradoxically he was also a member of a political society which later came to be backed by business stakeholder groups.

The total philosophical break with the Keynesian movement⁷ can also be observed in the case of complex, mathematically sophisticated macroeconomic models, to a degree where real business cycle (RBC) models banished economic policy from analysis. The message of RBC models thus became that economic fluctuations are not signs of problems in the economy: the cycles are instant, in each case perfect reactions by the national economy to changes in the external world economic environment (Prescott, 1986). While the Keynesian message was that in many cases the economy is not in equilibrium, the conclusion of the RBC model was that the economy is always in equilibrium.

Neoclassical thinkers offered an alternative, namely the reinforcement, or introduction, of market mechanisms and ownership rights in all areas of social life where problems and inefficiency are identified (Madra – Adaman, 2010).⁸ Chicago professor *Eugene Fama* developed numerous versions of the theory of efficient markets, which argues that the financial market utilises and mirrors all relevant available information in all cases (Fama, 1969). Consequently, market prices do not require any intervention as they are perfect representations of the infinite information circulating in the market. The political conclusion of the theory was that the reduction of the role of the government is justified, as there is greater economic welfare created if markets are left to operate freely, and corporate managers are allowed to maximise shareholder value. Kenneth Arrow's impossibility theorem also proved to be useful in proving the existence of perfect, general economic equilibrium, which in turn also confirmed the benefits of competitive markets. According to *Slattery et al.* (2013), the theory of efficient markets, together with the equilibrium theory, are resistant to new theoretical approaches because they serve as the scientific foundation of neoliberal ideology: as such, these theories remained dominant not on account of their nature as objective science, but due to neoliberal ideology.

Kenneth Arrow reached his well-known results at the Rand Corporation, the government think tank established to serve Cold War objectives. The Rand Corporation was considered to be a key player in the US-Soviet Cold War arena. As *Sonja Amadae* (2003) proved, the majority of the theories mentioned, primarily the public choice movement, were developed at this institute with state support. Arrow's impossibility theorem used the only legitimate language of the era and economic planning (namely the toolkit of mathematics), to prove that the Soviet-type state struc-

ture cannot be maintained in the long term (Amadae, 2003). These theories, therefore, also attempted to neutralise the image of the beneficial Soviet state planner, filling economic models with philosophical content: this was particularly important in a period when the majority of Western researchers observed the Soviet planned economy experiment with acknowledgement and much sympathy, and when Western and Eastern economics showed major similarities in terms of mathematical methodology (Morgan, 2001). It is not surprising either that *Francis Fukuyama*, who stated the ultimate success of Western liberal democracy, and the neoliberal economic model along with it, also had ties to Rand. Much of the innovations of the methodology of economics, from game theory to linear programming, was therefore rooted in war efforts, and were created for direct military application (Morgan, 2001).

THE OPERATING MECHANISM OF THE NEOLIBERAL POLITICAL PROGRAMME

In many cases, neoliberalism remains undefined, which is why for the purposes of this paper neoliberalism refers to the value-set and programme of the group of intellectuals of the Mont Pelerin Society. This is far from being ‘matter-of-fact’, as certain studies never refer to the Society’s name at all (Thorsen-Lie, 2007).⁹ Neoliberalism is the political programme of this society, and it differs from neoclassical economics as the latter is a school of economics. However, in the sociological sense and in terms of the operating mechanisms of the theories, the two can be aligned to serve a political value system. We must add that all neoliberal economists pursue neoclassical economics, but this is not necessarily true the other way around: many neoclassical thinkers somewhat distance themselves from

neoliberalism. This is understandable as, for example, if you think about the fact that neoclassical economics mathematises strongly, neoliberal thinkers, at times, do not feel this to be as important. The Chicago school also belongs to the neoclassical school and has significant overlap with neoliberal thinking (Vernengo, 2016).

The Keynesian period was not simply concluded by an economic crisis; this crisis afforded an opportunity for social stakeholder groups to make the neoliberal political programme a success (Harvey, 2007). As Backhouse (2005) points out, the labour factor also acquired a very strong political power during the Keynesian period: Keynesian policies strived to achieve full employment and to expand the welfare state through multiple channels, and as a result the bargaining power of the labour force increased drastically. In this particular period, trade unions were more important partners to governments in establishing policies than employer organisations. This process led to decreasing profit rates: the situation was further aggravated by the end of the era of cheap oil, and as a result, the earlier model, where the increase of wages and the growth of the economy were equally dynamic, was unable to continue without a substantial drop in company profits (Mitchell, 2009).

The pursuit of deepening the new globalisation was based on the values promoted by the neoliberal Mont Pelerin Society, and its aim was to force capital owners to end their marginalised position (Harvey, 2007; Backhouse, 2005).¹⁰ This is why business groups supported the neoliberal ideological revolution, creating the utopia of a free and perfect market, and also integrated this into mainstream economic education (Backhouse, 2005). In this utopia, the government is an unnecessary player, or more accurately, it must perform important tasks while locked in institutional quarantine, while the entrepreneur is the pri-

mary innovator, value creator and the hero of economy, who requires the support of society. Schumpeter's creative destruction theory reflects this approach. Neoliberalism, as a political programme, views Hayek and Friedman as its right wing ideologists (Harvey, 2007).

The earlier, however, also lead to the key paradox of neoliberal thought (Amable, 2011). Namely, its economic system requires a strong state in order to guarantee ownership rights and the operation of the free market (Mirowski, 2013).¹¹ Given that within such framework the free market leads to an increase in inequalities, the strong state is also needed in order to guarantee public safety and political stability. While certain representatives of neoliberalism feel only a minimal state is needed. In reality, however, as *Mirowski* (2013) points out, neoliberal theories had no intention of restoring the *laissez faire* state, instead their aim was to implement a new, different vision of the state, and to rewrite the role of the government and the state. In other words, instead of the 'night watchman' state, the state of neoliberalism is a strong state that actively protects, supports and expands the market. As such, the neoliberal state can also be viewed as a sort of highly active agent in the market. It was this paradoxical attitude that may have led Milton Friedman to become an adviser to Chilean dictator *Augusto Pinochet*.¹² This paradox is also apparent in that the multinational conglomerate General Motors supported Hayek's free market theory, where the Austrian economist actually spoke against institutional planning in economics. Members of the Mont Pelerin Society were aware of these contradictions, but did not communicate this to the public (Mirowski, 2013). *Károly Polányi* (2001) also helps understanding this paradox, by calling attention to the fact that there is nothing natural in *laissez-faire*: just as textile factories were brought to life by state customs, state bureaucracy in general forced the establishment of the rules of the

operation of market mechanisms, regardless of whether these were ownership rights or direct or indirect support.¹³

Despite the surrounding paradoxes, the Hayekian school of thought had an increasingly strong influence on US and British society. As the closed and hierarchic society said, the primary objective is to change the way people think, and not to support or debate new economic thoughts or schools (Mirowski, 2013). The scientific community was a community of value, and as such it posed no significant problem that their economic views were not entirely uniform. Post-WWII fear for freedom and the determined aspiration to become the mainstream have proved to be the distinguishing marks of neoliberal thinkers.

The neoliberal movement also held the support of the business stakeholder group as a symbolic measure of which, businessman *Anthony Fisher* contacted Hayek (Djelic, 2014). Fisher read *The Road to Serfdom* and was greatly impacted by it: he was in complete agreement that the democratic Western system will eventually shift towards a dictatorial direction. Fisher approached Hayek and asked for personal advice: he wanted to go into politics to personally change the political future of the West. However, Hayek dissuaded him, turning the argument on its head, emphasising that society's course can only be changed through a change in ideas (Hayek, 2001). Hayek told him that first they have to reach out to intellectuals, teachers and writers, with reasoned argument. It will be their influence on society that will prevail, and the politicians will follow (Hayek, 2001, p. 19). The Society itself was aware of and understood the importance of social context: it is no coincidence that even though eight members of the Society were Nobel Prize-winner economists, academic background was not a prerequisite for admission. In contrast, Hayek's personal approval, was essential (Mirowski, 2013).¹⁴

To change the minds of the public, the neoliberal society built a multilevel theoretical building (see Appendix, *Figure 1*).¹⁵ Friedman's methodological study on positive economics served as the foundation of the logical structure. This was the only methodological approach that the monetary economic paradigm could build on. The top floor goes beyond science, this is the level that the public and the media encounter: this is the ideology of neoliberalism (Hillinger, 2006). This is what Mirowski (2013) refers to as a Russian doll, which has several layers: the innermost core is made up of philosophical-scientific thoughts with their own paradoxes, while neoliberal messages referencing classical liberalism lie in the outside layers. It is, therefore, important to note that many elements can be distinguished in relation to the Mont Pelerin Society, which are though independent from each other, yet, they still belong to the one and same structure. The layers of Mirowski's (2013) Russian doll do overlap: the scientific methodological core linked to neo-classical economics cannot be separated from the external, simplified ideology.¹⁶ This is why *Clarke (2005)* writes that modern economics is not a scientific discipline, but the rigorous elaboration of a very specific social theory. In his view, this theory has established itself as a generally accepted basic rule despite the fact that its fundamental assumptions are patently absurd.

Milton Friedman and George Stigler, the heads of the Chicago school, with corporate and political support, found a new tool that could be used to change social thinking. It was the network of think tanks, the use of scholarships granted by them and the intensive use of the media. This think tank network was not established to encourage new ideas, but to act as a gatekeeper and disseminating the existing set of ideas, and the "philosophy of freedom". Backhouse (2005),

but also *Adam Curtis (2011)*, the documentary film-maker researching power relations in society, spoke about how Fisher created his global think tank network, to promote the libertarian values of individual and economic, but according to Curtis less social and political, freedom. The scientists of the Mont Pelerin Society claimed on several occasions that market and political liberalism are not necessarily related, and they primarily strive for market freedom and the freedom of the individual. Proactively, you could also say that they simply want the freedom of enterprise, which is when the individual could be freely active in the market (Mirowski, 2013). The scientific synonym for this is 'methodological individualism', according to which analysis in economics can only be conducted at the individual level, and groups cannot be considered active. Individualism was the result of the process which declared society to be non-existent (Brown 2003; Duménil and Lévy 2004; Harvey 2007).

According to Curtis (2011), the aim of "ideologically motivated PR organisations" was to establish the technocratic, elitist system that preserves current power structures. Fisher founded The Atlas Economic Research Foundation in 1981, which established 150 think tanks around the globe (see Appendix, *Table 3*).¹⁷ These institutions were set up based on the model of the Institute for Economic Affairs (IEA), a think tank founded in 1955 by Fisher.¹⁸ The spread of the institutional network is a good example of how marginalised groups of neoliberal thinkers got into the mainstream. Today, more than 450 free-market organisations in over 90 countries serve the "cause of liberty" through the Atlas Network (Atlas Network, 2017). The Atlas Network was directly related to the Mont Pelerin Society, and the meetings of the two institutions were scheduled for the same times for purposes of close cooperation (see *Table 1*).

Table 1

INTERNATIONAL MEETINGS OF THE ATLAS NETWORK AND THE MONT PELERIN SOCIET

Year	Atlas International Workshop (September or end of August)	Mont Pelerin Society meeting (September)
1983	Vancouver (Canada)	Vancouver (regional)
1984	Cambridge (United Kingdom)	Cambridge (general)
1985	Sidney (Australia)	Sidney (regional)
1986	St. Vincent (Italy)	St. Vincent (general)
1987	Indianapolis (USA)	Indianapolis (regional)

Source: Djelic (2014)

The top floor of the imaginary neoliberal building is, therefore, the media, which is in close relation with the network of think tanks.¹⁹ The fundamental function of think tanks is appearance in the media and also for institutes seemingly independent from one another to voice similar positions in relation to various social issues. From this aspect, the title of Friedman’s television series, the principle of ‘Free to Choose’, was not realised: the society consuming theories was not allowed to choose freely from the ideologies offered. At the same time, as Mirowski (2013) shows, the Mont Pelerin Society headed by Hayek promoted itself towards large corporate players, arguing that all companies should invest in the production of transformative ideas as these will ultimately become policy products. Hayek wanted to see think tanks as “second-hand dealers in ideas” and the strategy implemented by Fisher proved to be a success (Djelic, 2014). As British MP *Oliver Letwin* said: “*Without Fisher, no IEA; without the IEA and its clones, no Thatcher and quite possibly no Reagan; without Reagan, no Star Wars; without Star Wars, no economic collapse of the Soviet Union. Quite a chain of consequences for a chicken farmer.*” (Atlas Network, 2017). For this, the members of the Hayekian Society needed to control the Fisherian institutional system (see Table 2).

CONSEQUENCES OF THE NEOLIBERAL POLITICAL PROGRAMME

The uncovering of causative relations is an eternal problem of social sciences, yet many signs indicate that the neoliberal programme redistributed incomes to favour the upper 10% income class. This is how Anthony Fisher or the corporate sector represented by General Motors successfully improved its market power. Starting from the eighties, the decrease of the share of the wage bill from national income became a global phenomenon. The down-trend in wage share is the result of the new era in globalisation, as an increasing number of studies are showing (OECD, 2015; IMF, 2007; European Commission, 2007; BIS, 2006; ILO, 2011 and ILO, 2012). The eighties also saw the start of a phenomenon unknown in the Keynesian period, the opening of the real wage-productivity gap, resulting in stagnating incomes for the middle class in Western societies in favour of the middle class in emerging countries (Skidelsky, 2010).²⁰ There was an impressive breakthrough in Great Britain and the US (the birthplaces of the neoliberal revolution) in respect of the share of the incomes of the upper 10%, as *Piketty and Saez* (2014) also point out. Their view is that this is clearly the result of tax cuts as motivated by the aforementioned political

Table 2

HEADS OF THINK TANKS AND THEIR MEMBERSHIP IN THE MONT PELERIN SOCIETY				
Think tank	Year	Name	Membership in the Mont Pelerin Society	Start of membership
		Anthony Fisher	Yes	1954
IEA	1955	Ralph Harris	Yes	1959
IEA	1955	Arthur Seldon	Yes	1959
Fraser	1975	Michael Walker	Yes	1982
Manhattan	1978	Charles Brunie	Yes	1978
Heritage	1973	Edwin Feulner	Yes	1972
Adam Smith Institute	1977	Madsen Pirie	Yes	1976
Adam Smith Institute	1977	Eamonn Butler	Yes	1984
Adam Smith Institute	1977	Stuart Butler	Yes	1992
PRI	1979	Sally Pipes	Yes	1986
CATO	1977	Charles Koch	Yes	1970
CATO	1977	Ed Crane	Yes	1986
Aei	1962	William Baroody Sr	Yes	1962
Aei	1962	Arthur Burns	Yes	1979

Source: Djelic (2014)

programme (Piketty – Saez, 2014; Alvaredo et al., 2013). The incomes of the upper 10% in the US rose from 33% in the seventies to 50% by the turn of the millennium, while values in Britain showed similar dynamics, rising from under 30% to above 40% (Haldane, 2015).

Deregulatory (also called market fundamentalist) economic policy based on neoliberal principles was accompanied by a substantial increase in the number of financial and economic crises from the seventies. Margaret Thatcher (who once personally contributed to the development of the think tank network), having seen the soaring unemployment rates despite the implementation of neoliberal set of policies, in 1985 denied having ever believed in monetarist economic policies (Curtis, 2011). The Washington Consensus, which was also based on static neoclassical economics, turned a blind eye to the role of institutions, and thus contributed to the deep recessions

in post-socialist countries in Central Europe (Morgan, 2001). *“The point for neoliberalism is not to make a model that is more adequate to the real world, but to make the real world more adequate to its model”*, writes Clarke (2005) on the matter. Meanwhile, according to *David Colander* (2004), neoliberalism reversed the attitude of classical thinkers, concluding that markets are the best, while their predecessors in the 18th–19th centuries stated that markets are the least of all evils.

According to critics, neoliberalism was responsible for creating scientism and economism, which reduced the methodological diversity of economics (Earle et al., 2016; Kwak, 2016). In their view, the aim of this ideology is to train young economist scholars subordinated to neoliberal ideas, in order to make them accept an ideology which often turns to irrelevant models far-fetched from the real world. Scientism may be viewed as the ide-

ology of unconditional belief in science. This states that the exponential development of scientific method and knowledge materials could lead to the creation of a rational, technocratic economic policy that makes decisions purely based on scientific results (Hillinger, 2006). This reinforces the scientific and social positions of neoclassical economics that serves as the basic scientific group for the ideology, creating economism, the general and unconditional belief in the conclusions of neoclassical models (Earle et al., 2016; Kwak, 2016).

In recent years, numerous movements and blogs have been launched, frequently by disillusioned students of economy, to re-legitimise alternative trends.²¹ Some alternatives were actually forced out of the mainstream in the 20th century by Friedmanian methodological principles (methodological individualism) becoming scientific standard or even the large degree of mathematisation (Morgan, 2001). It is far from clear to university students, due to the history of economic theory being forced into the background, that economics is not a uniform and single-facet theoretical framework that one receives ready to use, but one that can also include any processes based on logical structures. With the hammer of neoclassical economics in hand, young economists may view all problems to be nails, but according to *Ha-Joon Chang*, a Swiss army knife, i.e. pluralism, is needed instead of the hammer to help select the most suitable analytical tool-set.²²

CONCLUSIONS

Through the analysis of relevant literature, our study presented the characteristics of neoliberalism as an ideology over the past decades. We have illustrated that neoliberalism can be interpreted as the political programme of business groups, as its theoretical system aims

to redefine the state, while also relying on state-critical economic theories that have grown in number starting from the seventies. The Mont Pelerin Society, the political movement made up of economists and social philosophers, tried to make this programme a success with the help of think tanks, scholarships, the media as well as international organisations, and has enjoyed the support of big business since the seventies.

When dealing with social science theories, which we can call models or ideologies, there is one aspect we cannot disregard: the Mannheim paradox warns researchers of ideologies that the criticism of an ideology is, in all cases, also of an ideological nature (Melki, 2017). Certain statements of our paper on the sociology of economics would be equally as difficult to refute as many theories of the mainstream, which are in many cases admittedly no more than mere mathematical exercises.

The critical, sociological approach to neoliberalism can actually provide answers to numerous current phenomena. It illustrates that corporations are willing to invest into knowledge creation, doing so via think tanks, university departments and the scholarships granted through them. The international conquest of neoliberalism among researchers was actually facilitated by scientific scholarships. The story of the Mont Pelerin Society, which flew the flag of freedom, but was ideologically homogenous and closed, shows how ideology cooperates with science, and how these are supported by social stakeholder groups to reinforce their positions. The narrative outlined on the basis of the presented analyses provides an insight into the sociology of economics: it shows how players with substantial knowledge and economic capital operated and influenced the processes of knowledge creation and the dissemination, allocation of knowledge using the institutional system set up by them.

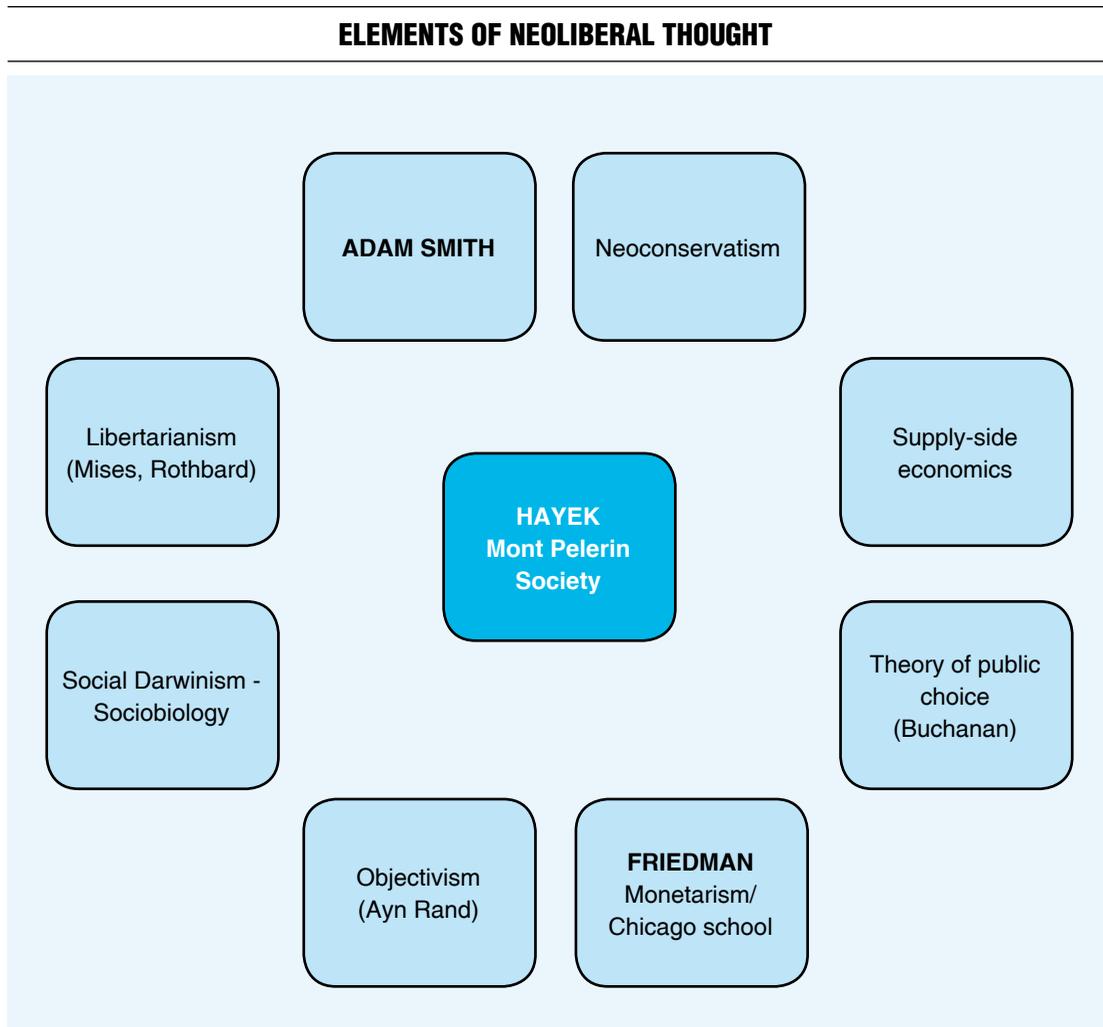
The most important economic and social philosophy movement of the past four dec-

ades, therefore, is just one of many ideologies and economic schools on which stakeholder group analysis can be performed. According to certain researchers, the biggest winners of wartime Keynesianism were also large corporations, but using a distant example, the physiocrat movement also held the direct support of the French court. Finally, regarding our paper, there is one more aspect you need to be aware of: it is social groups, rather

than the individual that serve as the basic unit of measurement for our analyses. There are heated debates on why this tradition was left behind by neoclassical economics, as classical thinkers all applied this kind of interpretive framework. Although an analysis at the level of social groups would greatly help macroeconomic forecasts, the neoclassical mainstream generally does not view this to be a scientific method.²³

APPENDIX

Figure 1



Source: Djelic (2014)

Table 3

NEOLIBERAL THINK TANKS OF THE ATLAS NETWORK UNTIL 1985

Country	Name	Establishment	Head	MPS member
USA	Heritage Foundation	1973	Edwin Feulner	1972
USA	Manhattan Institute	1978	Charles Brunie	1978
USA	Pacific Research Institute	1979	Sally Pipes	1986
USA	National Center for Policy Analysis	1983	John Goodman	1988
Canada	Fraser Institute	1975	Michael Walker	1982
Canada	Center for the Study of Religion and Economics	1981	Walter Block	1984
France	IEP	1982	Pascal Salin Guy Plunier	1980 1982
Italy	CREA	1982	Antonio Martino	1976
Spain	Instituto de Economia de Mercado	1980	Pedro Schwartz Giron	1979
Iceland	Libertarian Alliance	1980	Hannes Gissurarson	1984
Iceland	Jon Thorklaksson Institute	1983	Hannes Gissurarson	1984
Australia	Center for Independent Studies	1979	Greg Lindsay	1982
Chile	Centro de Estudios Publicos	1980	Arturo Fontaine	1984
Peru	Instituto Libertad y Democracia	1979	Hernando de Soto	1981
Mexico	Centro de Estudios en Economic I Educacio	1980	Rolando Espinosa	No
Venezuela	CEDICE	1984	Ricardo Zuolaga	1976
UK	IEA	1955	Ralph Harris Arthur Sheldon	1959 1959
UK	Economic Study Association	1965	Ronald Burgess	1979
UK	Adam Smith Institute	1977	Madsen Pirie Eamonn Butler Stuart Butler	1976 1984 1992
UK	Social Affairs Unit	1980	Digby Anderson	1982
UK	Center for Research into Communist Economies	1983	Ljubo Sirc	1965

Source: Djelic (2014)

NOTES

- ¹ The author thanks László György for his professional advice and assistance.
- ² Examining the psychology of the ideology, Graham (2013) writes that the root of all ideological positions lies in the view the individual has of equity, equality and fairness. As the perception of these values can never be standard or uniform, normative or ideological deviations will always be present among social scientists.
- ³ Mises Institute. <https://mises.org/files/road-serfdom-cartoonspdf/download?token=nSG9mHGc> (2017. 08. 12.)
- ⁴ According to Jamie Peck (2010), the way neoliberal utopia itself was realised, was always imperfect, typically in the form of impure hybrid systems. For this exact reason, the vision of a wholly free society and free economy may also be considered an unfeasible ideology.
- ⁵ An exciting question, albeit one that can never be answered, is what experience makes economists surrender themselves to the various value systems. Hoover (2003) attempts to provide an answer, elaborating that Hayek's liberalism, his praising of the spontaneous order and his thoughts condemning government interventions cannot be comprehended without knowing about his escape from his bad marriage: he had difficulties leaving his marriage behind when he was young.
- ⁶ As Roger Farmer (2017) points out, Keynes' general theory and the school based on that theory banished the labour supply curve from economic analysis, arguing that economy "is on the labour demand curve". This movement, however, failed to provide a convincing alternative. The concept of involuntary unemployment does not provide an answer as to why companies do not offer lower wages to the unemployed, especially if we know that the unemployed would also be willing to work for lower wages.
- ⁷ Backhouse (2010) also uses the term philosophy: in his view, the Austrian school legitimised new neoliberal economic philosophy.
- ⁸ According to *Madra and Adaman* (2010), the position represented by Richard Musgrave is in contrast with this neoliberal approach, as he feels that the government is an institution that should supplement market price mechanisms, thereby creating a framework where democratic society is able to function.
- ⁹ According to the definition proposed by Morishima (1986), ideology is a system of beliefs which binds people together into a social grouping. In fact, he feels this definition is similar to that of religion, and by that logic both Confucianism and Marxism may be considered 'religion'. Melki (2017) goes into greater detail when analysing what ideology means in economics.
- ¹⁰ According to the methodology of mainstream economics, instead of groups the individual is to be used as the basic unit of measurement for the purpose of analyses.
- ¹¹ A strong state was, therefore, needed for the success of the marketisation process: privatisation, financial liberalisation, trade liberalisation and the reduction of the size of the welfare state were all brought to life with the need of creating new markets (Harvey, 2007; Madra – Adaman, 2010).
- ¹² The detailed historical work by Naomi Klein (2008) uncovers how neoliberal economic policy reforms were implemented in the developing world using military force, at times in cooperation with the 'Chicago boys'.
- ¹³ Interestingly, the key neoliberal theoreticians still

make references to the ‘natural’ order: Friedman considered the freedom of choice to be the natural human state, while Hayek’s spontaneous order may itself also be interpreted as an intervention-free natural state (Thorsen-Lie, 2007).

¹⁴ Karl Popper voiced internal criticism regarding the ideological screening for admission to the Society, while Nobel Prize winning economist Maurice Allais refused to sign the Statement of Aims (Mirowski, 2013).

¹⁵ The theoretical components of the neoliberal school of thought are shown in Figure 1 of the Appendix.

¹⁶ Jelveh et al. (2014) used econometric methods, such as machine learning, to analyse the phrases and terms used in economic articles. They concluded that there are veritable ideological differences between the various economic educational programmes, departments and methodologies, and that political ideology does impact the results of economic research as well. Academic papers and the author’s political behaviour correlate strongly, and the ideologically charged phrases and terms used by the author can be used to estimate the given researcher’s political affiliation quite reliably.

¹⁷ The ties between the first institutes and their heads to the Mont Pelerin Society are shown in the table in the Appendix. We must not forget that the institutional system does not belong to a single ideological movement, depending on their resources all ideological or theoretical movements, even so-called progressive or heterodox paradigms, strive to set up think tanks. One of the most well-known institutes is the Institute for New Economic Thinking in New York.

¹⁸ The analysis of Djelic (2014) shows the IEA to be a “business angel”, “venture capitalist”, background institution and “meta” think tank for the

world’s neoliberal think tanks, facilitating the development of its members with good practices and trainings.

¹⁹ Backhouse (2005) gives a detailed description of how the new type of think tanks, which were established in increasingly large numbers from the seventies to protect free-market principles, developed. However, their objective was not to seek out new policy solutions, but to apply existing practices.

²⁰ The analysis of Brennetot (2014) shows parallels with the process: according to his diagram, before the eighties, the number of books published with the word neoliberalism in the title was very low, but with the increase of the share of the upper 10%, the number of books published annually gained momentum from the nineties.

²¹ One example is the Rethinking Economics network launched from Manchester (<http://www.rethinkeconomics.org/>).

²² Ha-Joon Chang (2014): *The Diary*. 25 April <https://www.ft.com/content/986d6cd2-cace-11e3-9c6a-00144feabdc0>. It is debated whether the orthodox or heterodox direction may be viewed as more plural. It is not at all certain that it is the latter: According to Backhouse (2010), the methodology of orthodoxy is more diverse as researchers continuously debate the validity of methodologies, its areas of application and the key issue of verifying theories is the correctness of the given methodology.

²³ Steve Keen and Alan Kirman also argue that methodological individualism is not suitable for macroeconomic modelling. Individuals must be grouped according to their role in functional income distribution. The group of those living off wages and those living off capital income both represent a unit from a modelling perspective, reacting to external shocks in a uniform manner (Keen, 2017).

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