THE BROKEN BOWL
How liberalism failed – and why we must remake it

Setting the scene

A bowl in many cultures is a symbol of generosity, as it contains food that will be shared. This paper argues that a symbolic bowl has been broken and values such as generosity and fairness have been overthrown by what has become an insidious doctrine.

This presentation examines the history, nature and effects of neoliberalism. The conclusion is that this form of liberalism has had very detrimental consequences in societies that have adopted it. But the presentation denies that there are better substitutes for liberalism and contends that liberalism must be remade. But how? And are we too late?

Neoliberalism: its rise and fall

In the 1930s a movement among classical economists coalesced in agreeing that free markets were subjugated by excessive state planning and intervention, not just in communist USSR but also in Roosevelt's New Deal and Keynesian macroeconomics. At a conference in Paris in 1938 these economists, organised by Louis Rougier and including Hayek of the Austrian School, agreed that 'neoliberalism' should be the term for their new approach.

However, the moment for neoliberalism had not yet come. The outbreak of hostilities created high levels of common endeavour during the Second World War. Afterwards, the sense that 'we had all been in this together' led to mutualist settlements involving high levels of progressive taxation and large-scale welfare provision. States took a leading role in planning the future. In Britain, alongside the implementation of the Beveridge Report, the nationalisation of industries created a 'mixed economy'.

These profound changes were anathema to neoliberals but they bided their time and evolved their doctrine. Friedrich Hayek published his seminal work *The Road to Serfdom* in 1944 followed by other texts. A host of like-minded thinktanks were founded and fellow-travelling university departments funded.

The Institute for Economic Affairs showered Britain with 'Hobart Papers' preaching the need for radical economic reform to create incentives and promote growth. The combined result was an object lesson in the crafting of a coherent economic and political ideology. Its time came with the economic crises of the 1970s, when the price of oil quadrupled, the Bretton Woods scheme of fixed exchange rates collapsed and 'stagflation' shook the foundations of Keynesian theory. The accession to power of Thatcher and Reagan enabled a radical and 'oven ready' change in economic doctrine, which was emulated across other democracies.

In various countries, taxes were lowered, industries privatised, public services outsourced and regulations reduced, while anti-inflation medicine consisted of tight monetary controls and fiscal rectitude in search of balanced budgets. The doctrine of neoliberalism captured the thinking of international bodies such as the IMF and the World Bank. Lower tariffs and relaxation of controls on capital flows led to 'globalisation'. Neoliberalism appeared so successful that even parties of the left adopted it. Political debate became one of management proficiency rather than doctrinal difference. Neoliberalism's triumphal moment came with the collapse of the Soviet Union in 1991 that led excited commentators to argue that the battle of ideas was won and this was the 'end of history'.

The penny dropped that all was not well with the financial crash of 2008, brought on by the debt mountain in American sub-prime mortgages and derivatives selling resulting from inadequate market regulation. Financial institutions tumbled, with the failure of Lehman Brothers in New York threatening an international financial catastrophe. A global depression was averted by co-ordinated state action that pumped liquidity into the system and refinanced failing banks, such as NatWest, which was nationalised. Deregulation, a cardinal principle of neoliberalism on the grounds that 'markets know best', had been taken to extremes and it was nation states that had to stop the rot. We still live with the legacy of this extraordinary event in terms of lower economic growth and the diminution of 'moral hazard', as nations have allowed financial institutions to become 'too big to fail'.

But the corrosion of social, economic and political norms began earlier, after neoliberalism's ideological takeover in the 1980s. The left and the centre of

politics in liberal democracies had not refashioned their thinking to cope with the exogenous shocks upon its economic system and seemed empty of ideas. Repeating history, a gruesome economic environment persuaded voters to swing to the right, whence nations fell under the sway of a radically different doctrine. English social historian Stedman Jones wrote: 'It is hard to think of another utopia that has been as fully realised.' Now, after 40 years of experience, we can evaluate neoliberalism's outcomes.

From 1970 to 2008 world GNP increased by 400%. This brought great benefits to hundreds of millions of citizens in developing countries, who rose from the mire of absolute poverty, but in developed countries the picture was very different. The developed West experienced huge increases in inequality of wealth and income. Until the mid-70s rising productivity ensured the fruits of economic growth were widely shared. This has not been so since then, as the real wage of the average worker has hardly risen. Globalisation combined with automation has led to de-industrialisation and destroyed hosts of well-paid, high-productivity jobs, now unsupported by the countervailing power of trade unions. Meanwhile, the pay in boardrooms soared. After the war, CEOs in the US received an average of 20 times the pay of a typical worker; in 2014 they received 300 times the average. Then, the richest 1% of Americans took home about 10% of total income; today, it is more than 20%. At a time when the wealthy have gained increasing financial rewards, some 20 million of the UK population suffer relative poverty. Guy Standing of SOAS has named this group the 'precariat', people who live insecure and impoverished lives. These same people also suffer disparities in health and education, without ladders to climb as social mobility has stalled. Austerity budgets, on the pretext of bringing down deficits after the 2008 crash, while in reality pursuing a small-state economy, have hollowed out the public sector and imposed yet more inequalities on the disadvantaged. In the UK, the class and north/south divides are not unreminiscent of Disraeli's 'two nations'.

Does it matter? Well, a new underclass now suffers from perilous levels of exclusion. Evidence abounds about how resentment, the loss of self-esteem and a sense of injustice corrode trust and have adverse social outcomes, with epidemics of self-harm, eating disorders, depression, loneliness and lack of self-esteem, leading to large-scale 'deaths of despair' and falling life expectancy. Fukuyama reminds us that Hegel argued that the thymotic need for recognition

was the main driver of history and this has been amply reconfirmed. The angry fall-out from entrenched inequality has been politically profound. From the middle of the second decade of the twentieth century the left/right political axis gave way to identity politics and populism in many countries as the dispossessed fought back. 'I don't know my country any more' was a familiar refrain as millions tried to come to terms with new economic realities and increasing rates of immigration. New political parties took the place of traditional groupings in France, Spain, Italy, Greece and elsewhere. Nationalism, always underestimated by liberal establishments, led to illiberal democracies in Hungary, Poland and Turkey. Congruently, populist leadership in the UK led to Brexit and in the US to Trump and the attempted coup on 6 January 2021. Of course, neoliberalism is not the sole culprit, as technological change and the of rise Eastern capitalism have contributed. But neoliberalist doctrine encouraged excessive globalisation, imposed counterproductive austerity to correct fiscal imbalances, and was doctrinally opposed to countering market forces.

The new economic and political aristocracy of the wealthy has been determined to maintain its advantageous position. Its ruthless pursuit of its own goals has been at the expense of community solidarity and the values represented by the symbol of the bowl with which I started. A sense of the common good is bleakly absent from the current dispensation, the mantra of levelling up has proved a very thin veneer and the idea of levelling down, which would require higher taxes, is largely absent from the conversations of the mercantile elite. Historic conventions have been upended, such as the packing of the US Supreme Court with Republican sympathisers and the illegal proroguing of the UK Parliament. Voter suppression, gerrymandering, huge donations to right-wing parties from wealthy backers and disregard of truth through false claims, 'fake news' and 'alternative facts', have combined to erode trust in age-old institutions and undermine liberal political cultures. The bitter irony is that the liberal freedoms held dear by the academic founders of neoliberalism are being eroded by a wealthy caste of its beneficiaries. Liberal democracy is in retreat, with evidence showing that there have been, up to 2022, 16 consecutive years of democratic decline. The recent multitude of books on the waning and even defeat of liberalism are testimony that a benign ideology, when pushed by its high priests to unforgiving extremes, results in consequences that contradict its original

premises. As Marx might have said, ‘Neoliberalism has been its own gravedigger’.

Unpacking neoliberalism

What is neoliberalism? The dominant concern of the delegates at the 1938 Paris conference was that ever greater state intervention in the economy would remove market freedoms and result ultimately in the loss of political freedom and a drift to totalitarianism. Hayek’s overriding commitment was the protection of liberty, which he regarded as the foundation of all other values, with a free-market economy the bedrock of a liberal political order. His essential principles were drawn from Enlightenment thinking that individuals should be free of coercion and able to pursue and maximise their economic goals. Drawing on Locke’s lineage, individuals had the right to property ownership that stemmed from their endeavours. The articles of faith for economic activity included competition within free markets that self-regulated through the price mechanism, the individual’s right to pursue his self-interest, the minimisation of tax and regulation, and a strong but impartial state that oversaw the rule of law to enforce contracts and protect property. For Hayek, the freedom of the individual was the only progressive policy.

There was little disagreement among conference delegates about the principles above, which fitted well with the first two overlapping phases of classical liberalism, the constitutional phase that began with Hobbes and Locke and the post-mercantilist economic phase from Adam Smith into the first half of the nineteenth century. Differences among delegates concerned the role of the state. Some members were in favour of limited state intervention, for example to stimulate competition, while others questioned all state intervention. Led by Rougier, the former prevailed.

The state, he argued, determined the ‘rules of the road’ that would facilitate market economics. These features were certainly not compatible with the ‘new liberalism’ of Hobhouse and Hobson at the end of the nineteenth century that urged action for self-improvement and mutuality through the agency of a benevolent state, and most definitely not the economic planning that emerged after 1945. Rougier’s doctrine emphasised some widening of the powers that the classical theory allowed for the state. For example, a liberal state must

receive, via taxes, part of the national income, to devote to the collective financing of national defence, social services, education and scientific research. This is all necessary for successful economic enterprise but the state should minimise its interventions whenever possible.

We may conclude that neoliberal doctrine lies at the intersection of the classical period of liberalism and its later stages when the state became a major agent of progressive change. Why, however, has the practice of neoliberalism since the late 1970s led to such inequality, hardship and political mayhem? There have been three deep flaws.

The first is that it is a paradigm that puts means before ends. It has faith in mechanisms rather than regard for outcomes. Strong in his desire for freedom, Hayek was very clear in *The Road to Serfdom* that competition is democratic but it is also blind, and while decentralised markets are essential its results are unpredictable. Freedom comes at a cost and some will inevitably lose, but the imperative is not to ossify markets. Anticipating Nozick, Hayek argues that there can in any case be no agreed scale of values for the distribution of rewards and that there is no case for redistribution as this would undermine market determinations.

The second deep flaw is that its core beliefs have served as a cover story for predatory business behaviour in shaping regulations to its own advantage. Milton Friedman argued that it is not state intervention *per se* that causes the failure of the competitive system but business corporations that manipulate governments while claiming their interventions are socially responsible. Business strategies include vast sums for lobbying (over $3 billion in the US in 2020) and the corruption of regulation through revolving door policies. As Friedman commented, ‘It’s always been true that business is not a friend of the free market.’ Neoliberalism’s free market doctrine has been overtaken by corporate power, largely because states have been too weak in regulating it. The unforgiving pursuit of private gain eviscerated the public sector and the values of generosity and fairness.

The third deep flaw is the valorisation of individualism over collective endeavour. In his book *Why Liberalism Failed* Patrick Deneen laments the passing of an ideal, namely liberty. His main argument is that raw individualism

is a misreading of human nature for we are, in addition, a relational species who thrive together in cooperation with one another in settled communities whose values we share. The extreme libertarian drive for personal success not only denies the collective support provided by tax-funded infrastructure but is careless of the schismatic divisions in society that have resulted. Deneen argues for a radical reset, a pulling back of rapacious capitalism, red in tooth and claw, to build a kinder, gentler society.

What is to be done?

Liberalism is not obsolete. Its neoliberal version has proved unacceptable in conception and delivery but we must not forget that other versions of liberalism have many fine achievements over the centuries. They freed us from aristocratic oppression, led to democratic states based upon the rule of law, achieved huge increases in economic and social welfare, and raised the status of women. The combination of liberalism and capitalism has transformed the lives we lead but it is also true that the current version of liberalism has proved inadequate and capitalism at the present moment is dystopic.

In any case, what are the alternatives? The answer is various forms of authoritarianism which, as even Fukuyama has acknowledged, have been taking hold. But would we who have tasted and enjoyed the liberal values of freedom and toleration wish to abandon them? The turning of the tide against liberalism surely needs to be countered by the remaking of a liberalism that is fit for purpose. There appears as yet to be no overall approach to this task but suggestions converge around three areas.

The first concerns a recalibration of how we relate to each other. We should return to traditional values of generosity and toleration, practise restraint in our liberties and other rights, promote justice and greater equality, balance individualism with a strong sense of community, and ensure, as Kant would have us do, that all citizens live with dignity. This puts social value above shareholder value. It means also that those who require state aid are

supported in humane and not hostile environments. This is a big task that could begin with a national conversation in which citizens think through what kind of country they wish to live in.

The second concerns the mechanisms for creating a fairer society. Increases in progressive taxation and repatriation of offshore funds are essential to enable greater investment in the public realm. Market excesses need to be curtailed, such as excessive boardroom remuneration and the extraction of rent that comes from monopolistic pricing policies. To secure fair rates of pay, trade unions need to be empowered and workers allowed greater participation in corporations, as in Germany. Delicate balances are needed between globalisation and the return and growth of home manufacturing industry, and in how much immigration is allowed. Immigration has been a potent factor in threatening national identity and has led to populist responses; but it is the fear of immigration rather than the fact of immigration that causes discontent and so governments will need to regulate the flow while ameliorating discontent through education and provision of adequate services. Combined, the measures above would help to achieve 'levelling up' as well as 'levelling down', which is most important as too much wealth creates undue power.

The third focal point is the enabler of the other two. It is to revitalise the integrity of liberal democracy, which has been grievously assailed by anti-democratic forces to the extent that certain political parties can no longer be said to be part of Rawls' 'overlapping consensus' that gives priority to liberal norms over all else. The return of truth-based politics, fair electoral procedures and reform of outdated mechanisms, such as electoral systems and upper houses, are necessary for central governments to regain the legitimacy required for the consent of the governed. The strengthening of central government to redress the failures of the neoliberal experiment should sit alongside the devolution of power to local government, which would increase participation and empower citizens.

Two caveats

First, the limits of social mobility. Much has been made of the slowdown in upward social mobility that results in a 'meritocracy', as in Michael Sandel's *The Tyranny of Merit*. It is undoubtedly true that there is scope for improving the life chances of people through the removal of the blockages, not least poor

education and poverty. But this does not solve the much larger problem of individuals who are unable to climb up the ladder of opportunity. A fair proportion of the community do not have the academic aptitude and other skills to break through the glass ceiling of university education. For example, it has been reckoned that in the UK some 20% of school students have special educational needs. Support will require, in the UK, much better vocational education than previously achieved. There will also need to be large measures of support for those who find it difficult to work at all and have various degrees of dependency, with a priority to protect their dignity and integrate them into social networks and worthwhile projects.

Second, the limits of liberalism. John Gray, in his 1993 book *Post-Liberalism*, argues that the successor of liberalism is pluralism, which means that we should relinquish liberalism's universalist ambitions and allow local populations to agree their terms of peaceful co-existence. However, he also sees freedom and toleration as values that are consistent with a post-liberalist settlement. Since these values are at the heart of what we mean by liberalism, the term 'post-liberalism' seems a misnomer. What he is really emphasising is not the end of liberalism but an end to its hubristic reach.

Whether or not liberalism is universal is hotly disputed. Most of the countries and peoples in the world do not have liberal democracies and many do not wish to have them. Context, tradition and faith can be powerful impediments to liberal thinking. We may wish to claim that liberalism, for example in the form of human rights, is universal, but is there justification, rational or empirical, that they are made to measure for all societies? When hubris exceeds restraint, terrible consequences can follow. The recent wars that attempted to impose Western values on Islamic countries are tragic examples of failed acts of moral imperialism, and the triumphalist conceits of a brief Western hegemony still reverberate strongly in resentments in Russia due to its 1990s collapse and in China for its '100 years of humiliation'. The lesson to be learned is that we are not all made from the same clay. Is not the best we can do, with caution and humility, to try to persuade - but rarely coerce?

Coda

Neoliberalism is another god that failed. Defined by individualism and market mechanisms, it contained no vision of the common good and, though it urged

personal betterment, lacked criteria for overall success. Its doctrine became a faith-based certainty for many of its practitioners and a cover story for exploitative capitalism. As the page turns, it will not be missed. But this does not necessarily mean the end of liberalism: rather, the end of *neo*-liberalism. The time is getting late but the chance remains for the remaking of liberal principles in liberal democracies. We must remake our broken bowl, healing the wounds through restrained liberty, fair-minded equality that ensures dignity for all, and fraternity, in the sense of generosity and mutual obligation. We must repair our institutions and through them demonstrate that we have effective mechanisms for dealing with the great challenges that beset the world. Perhaps above all, liberal democracy needs eloquent and inspiring champions to counter the corrosion that has stemmed from neoliberal ideology and those who exploit it. The question of whether it is too late to save liberal democracy is perhaps the most important political question of the age.