

# Book Review: The Limits of Neoliberalism: Authority, Sovereignty and the Logic of Competition

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**The Limits of Neoliberalism: Authority, Sovereignty and the Logic of Competition.**  
**William Davies. Sage. 2014.**

‘Neoliberalism is clearly not a unified doctrine to the extent that Keynesianism is’, writes William Davies. In *The Limits of Neoliberalism* he argues that despite the diversity of various strands of neoliberal thought, they all have in common ‘an attempt to replace political judgment with economic evaluation, including, but not exclusively, the evaluations offered by markets’. Neoliberalism ‘disenchants’ politics with economics by extending economic techniques to areas of life not organised as markets, nor governed by economic ideas of value and worth.

*The Limits of Neoliberalism* is a well-written, insightful book that will find a broad range of readers. Throughout the book’s six chapters, Davies delineates the history of the idea of competition, using writings of Hayek, Coase and Schumpeter, policy documents, and interviews with institutional economists. He investigates the ways in which these ideas played out in the ‘applied neoliberalism’ of competition and ‘national competitiveness’ policies in the EU, UK and US, and explores the limits and possible critiques by discussing transformations of the neoliberal authority in that wake of the 2007 financial crisis.

Central to the book is the problem of ‘critical capacities’ of neoliberalism. Drawing on the sociology of Luc Boltanski and his followers, Davies asks: What is the relation between economic rationality and political authority? On what grounds does a neoliberal state legitimate its authority, given that neoliberal critique erodes substantive political basis for justification?

The answer to this puzzle, Davies suggests, lies in the history and uses of the ideas of competition and uncertainty. He explains that for early neoliberal thinkers (such as Hayek, Mises, Henry Simons and the Freiburg’s ‘ordo-liberals’) uncertainty had epistemic, political and moral appeal in the face of the socialist political project whose essence they saw as calculating economic outcomes. Socialist calculation, for them, could lead to tyranny. Freedom would only be achieved if outcomes of economic actions were uncertain. To guarantee such uncertainty, they turned to competition — a particular value these thinkers identified in markets. Since then, Davies asserts, the rhetoric and theories of competition and competitiveness have been central to the neoliberal critique and economic audit.

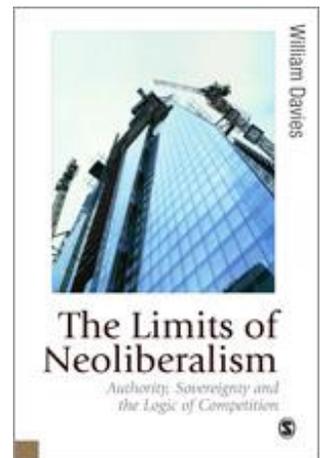




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Legitimacy of competition, defined by Davies as the pursuit of unequal outcomes, depends on ‘constructing or imputing certain common institutional or psychological traits [to markets or individuals], as preconditions of the competitive process.’ Davies demonstrates that early neoliberals saw competition as an essential normative and formal characteristic of markets. Anti-trust policy that they informed enacted this normative commitment to market institutions by actively precluding disruptions of price mechanism. In contrast, Coase and Schumpeter abandon the abstract faith in liberal markets, replacing it with an alternative commitment to a vision of *competitiveness* as an essential trait of individuals, whose validity can be tested by expert economic analysis and application of price theory and not by the market price mechanism (Chapter 2).

Davies devotes the central part of his book to tracking the shift in neoliberal practice from the preoccupation with safeguarding competition as an institutional and normative mechanism, to evaluating competitiveness, a contingent capacity to inequality that Coase justified through a vision of a rational, maximising individual, and Schumpeter through a vision of a heroic, creative entrepreneur. As a result of this shift, Davies suggests, equality of competitors became a matter of economic methodology, rather than of institutional set-up of markets. As long as competitiveness remains a methodological assumption rather than a problem to be tested empirically, neoliberal economists can extend their calculation and valuation techniques virtually to any social domain, *as if* it were a market. Davies persuasively argues that neoliberalism can only legitimate itself ‘because economic techniques themselves become imbued with a quasi-sovereign form of authority – that is, they become ritualised and rhetorically powerful’.

The 2007 financial crisis laid bare the limits of the ritual efficacy of these techniques, and with them, the limits of neoliberalism. What puzzles Davies is why and how the neoliberal paradigm has remained in place, retaining if not its legitimacy then at least its power after the crisis that it incurred on itself through the very technical tools that were supposed to calculate and manage uncertainty. Davies implies that the limits of neoliberalism stem from its inherent paradoxes, not the least from its constant erosion (‘disenchantment’) of its own sources of justification that ‘hold’ it together. Neoliberalism’s ‘organising categories and valuations devices ... are no longer trusted to function of their own accord, without being propped up with various forms of contingent political intervention.’ Davies argues that sovereign interventions during and after the crisis preserved the neoliberal status quo and, so to speak, re-enchanted economics with politics at the expense of suppressing the emergence of alternative modes of valuation.

It is hard to disagree with Davies’s poignant analysis. He describes the genealogy and political mechanisms of this ‘contingent neoliberalism’ persuasively and in great detail. However, he is less clear as for why neoliberal thinking has managed to win its ground in the first place. Nor does he explain how exactly this happened in institutions dealing with competition policies, beyond documenting a progressive adoption of particular ideas or techniques. He finds an explanation for neoliberalism’s success in its capacity to critique politics and justify inequalities, but this hardly can account for the social processes and mechanisms through which neoliberalism has gained its prominence.

To his credit, Davis addresses ethical and epistemic commitments of institutional economists and the ways in which they develop their ideas. Suspending critique, Davies manages to take economists' commitments to neoliberal theories seriously, whereas most accounts would dismiss them as an ideological veneer for domination. Such commitments partially explain why the neoliberal paradigm 'holds' among economists and policymakers, but it can hardly account for broader social mechanisms through which economic ideas and techniques are deployed. As a book *on* theory, it remains a book *of* theory, never leaving much space to the accounts of the very economists and policymakers whom Davies interviewed, and who appear literally marginal to Davies' account, quoted anonymously in rare footnotes.

*The Limits of Neoliberalism* pays great attention to 'the genealogy, normativity and subtlety of the ideas' that underpin neoliberalism' (xiii), and it is a necessary reading for anyone interested in contemporary policymaking or history of economic and political thought. For those trying to understand what lies beyond the limits that the book so poignantly delineates, Davies draws on his analysis of neoliberal critique to explore possible forms of critique *of* neoliberalism. He argues that we should dispense with competition as 'the template for all politics and political metaphysics', and return to the separation of regimes of value and valuation which should mirror the liberal separation of powers. Critique of neoliberalism can only be successful, Davies asserts, if it addresses both 'a vision of the collective *and* a vision of individual agency simultaneously', so compellingly offered, in its time, by the neoliberal thought.

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