The Emergence of Neoliberalism: Thinking Through and Beyond Michel Foucault’s Lectures on Biopolitics

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Abstract
This paper uses Michel Foucault’s lectures on biopolitics as a starting point for thinking historically about neoliberalism. Foucault’s lectures offer a rich and detailed account of the emergence of neoliberalism, but this account is far from complete. This paper addresses some of the blind-spots in Foucault’s lectures by focusing on the space between the decline of classical liberalism at the end of the 19th century and the subsequent attempt to develop a ‘positive’ or ‘ordo’ liberalism in post-war Germany. The primary concern of this paper is to chart the emergence of a new or neo-liberalism in the writings of Ludwig von Mises and Friedrich von Hayek through the 1920s and 1930s. These writings, which are barely considered by Foucault, are important as they redefine the liberal project against the political economy of the late 19th century and, in particular, against the threat of socialism. In conclusion, it is argued that by returning to the work of Mises and Hayek it is possible to develop a critical sociology of neoliberalism, one that not only engages with the writings of these two thinkers but which also exposes the fracture lines that exist within the neoliberal project, and reconsiders the political positions that neoliberalism initially sought to reject.

Keywords
biopolitics, Foucault, Hayek, liberalism, Mises, neoliberalism, political economy

Michel Foucault’s 1978–9 lectures at the Collège de France – published in English for the first time in 2008 under the title The Birth of Biopolitics – contain a rich historical account of the different trajectories of what he

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calls the liberal and neoliberal ‘arts’ of government: from the physiocrats and Adam Smith through Max Weber and into German ordoliberalism in one direction, and through Friedrich Hayek and the free-market economics of the Chicago School in another. These lectures provide an important starting point for thinking critically about the theoretical basis of the neoliberal project, including: the regulatory mechanisms through which processes of marketization work; the construction of a *homo oeconomicus* that is not just a partner in economic exchange but an entrepreneurial being who is the subject of enterprise and production; the tendency of neoliberal reason to use principles from the market economy to analyse non-market relationships and social phenomena; and, at a grander level, the emergence of new governmental configurations that run in a loop between the market and the state.

Foucault’s genealogy of liberalism and neoliberalism, however, while impressive in its vision and scope, is far from complete. This is not surprising given that Foucault’s lectures on biopolitics were never intended for publication in their own right and, unlike his other lecture series, were not directly connected to a major book project such as *Discipline and Punish* or *The History of Sexuality*. That there are limits to Foucault’s analysis of neoliberalism in these lectures is, then, to be expected. The aim of the present paper is to outline and explore some of these limits while at the same time broadening the historical frame of Foucault’s analysis and injecting a further layer of theoretical detail into his account. This will be done by focusing on an historical period that is largely missing from Foucault’s genealogy: a period that begins with the decline of classical liberalism at the end of the 19th century and runs through to the formulation of a new kind of ‘positive’ or ‘ordo’ liberalism in Germany after 1945. For prior to the emergence of ordoliberalism – the main starting point of neoliberalism in Foucault’s analysis – there is a sustained attempt to reassess and rethink the principles of classical liberalism contained within the writings of Ludwig von Mises and Friedrich von Hayek. These writings, which date from the early-1920s through to the 1940s, were central to the articulation of a new or neo-liberal project through this period, but are barely considered in these lectures is, then, to be expected. The aim of the present paper is to outline and explore some of these limits while at the same time broadening the historical frame of Foucault’s analysis and injecting a further layer of theoretical detail into his account. This will be done by focusing on an historical period that is largely missing from Foucault’s genealogy: a period that begins with the decline of classical liberalism at the end of the 19th century and runs through to the formulation of a new kind of ‘positive’ or ‘ordo’ liberalism in Germany after 1945. For prior to the emergence of ordoliberalism – the main starting point of neoliberalism in Foucault’s analysis – there is a sustained attempt to reassess and rethink the principles of classical liberalism contained within the writings of Ludwig von Mises and Friedrich von Hayek. These writings, which date from the early-1920s through to the 1940s, were central to the articulation of a new or neo-liberal project through this period, but are barely considered by Foucault. Foucault, for reasons that are not clear, instead focuses on German ordoliberalism and the rise of the post-war social market economy before turning his attention to American neoliberalism and the some of the key ideas of Chicago School. This means that what is missing from his account is a detailed analysis of the extensive theoretical groundwork that had already been laid by Mises and Hayek before 1945; work that in turn shaped not only the rethinking of liberalism in post-war Germany but also the initial discussions of the Mont Pèlerin Society – the neoliberal think-tank founded by Hayek in 1947. For this reason, this paper will centre on this early work of Mises and Hayek, and will analyse its relation to classical forms of liberalism as well as the new or ‘neo-’ liberal agenda that it sought to put in its place.
The focus of this paper is thus different from existing work on the history of neoliberalism, which addresses, among other things, the emergence of Chicago School economics and the mobilization of free-market economics under the Pinochet regime in Chile (the first episode of the so-called ‘shock doctrine’; see Klein, 2007); the post-war settlement (Jones, 2012); and the emergence and transnational reach of the Mont Pèlerin Society (see Mirowski and Plehwe, 2009). Such work is rich and important but has tended to focus, like that of Foucault, on the mobilization of neoliberal ideas following the Second World War rather than on the earlier body of work upon which such ideas are based. This paper will attempt to do something different by extending Foucault’s genealogy of neoliberal reason back into the 1920s and 1930s in order to think critically about the emergence of neoliberal thought through this period. It will be argued that the neoliberal movement initially developed through two inter-related projects: a political re-evaluation of classical forms of liberalism, in particular that advocated by John Stuart Mill, and an epistemological critique of many of the rationalist principles of neoclassical economics – principles which Mises ultimately remained tied to, but from which Hayek attempted to break. This latter question of epistemology again barely features in Foucault’s lectures, but is significant as it frames Mises’ and Hayek’s responses to the classical liberal tradition and their resultant emphasis on economic rather than political freedom (see Tribe, 2009). While Foucault asserts the importance of a concept of *homo œconomicus* for the neoliberal project, both Mises and Hayek are hostile to this concept on different grounds. Mises argues that this notion rests upon a misguided view of human nature, and is one of many problems to come from the work of Mill. Hayek, meanwhile, takes the critique of *homo œconomicus* further by arguing that there are clear limits to human knowledge and, by extension, the legitimate powers of government.

This paper will address these arguments of Mises and Hayek in order to think critically about the political and epistemological foundations of the neoliberal project, many of which continue to be of contemporary relevance. It will be argued in the concluding section of the paper that by extending the theoretical and historical reach of Foucault’s genealogy of neoliberalism by considering the early writings of Mises and Hayek, at least three lines of critical work can follow. First, it becomes possible to engage critically with neoliberalism at the point of its inception, and thereby to place into question its relation to classical liberalism and the basis of the economic ideas that it sought to put in its place. Second, it is possible to consider the political and epistemological fracture lines between and within different trajectories of libertarian and neoliberal reason. And third, it opens the possibility of a more overtly political response to neoliberal thought by considering different positions on the Left that neoliberalism was initially forged in response to and ultimately sought to reject. By addressing such questions, this
paper seeks to be more than simply a documentary account of the theoretical basis of neoliberalism, but rather a genealogy of neoliberal reason that can used to develop a critical understanding of the present.

**Ludwig von Mises: Towards a New Liberalism**

One of the most neglected figures in the history of neoliberal thought is Ludwig von Mises (1881–1973). This is surprising given that Mises was a founder member of the influential neoliberal think-tank the Mont Pèlerin Society (see Mirowski and Plehwe, 2009), and an important influence on key figures in contemporary neoliberal and libertarian thought such as Friedrich von Hayek, Ayn Rand, Israel Kirzner and Murray Rothbard. Mises is missing from recent accounts of the history of neoliberalism largely because he remained an outsider within neoliberal circles. Mises was neither a member of the influential Chicago School of Economics nor the Virginia School of Political Economy (from 1945 onwards he was based in New York), and although he was a member of the Mont Pèlerin Society his relations with other key players in this organization, such as Milton Friedman, were frequently strained. Of all the founding members of the Mont Pèlerin Society, Mises had the strongest commitment to economic laissez-faire. Mises not only believed wholeheartedly that the state should not intervene into market processes, but, as Angus Burgin recounts, he also demanded his ‘colleagues’ veneration of the market to be absolute’ – a position which often led to conflict as Mises refused to accept any form of compromise and quickly became ‘frustrated by their accommodationist instincts’ (2012: 96). In return, many of Mises’ associates thought that his thinking was too dogmatic and, in the view of Milton Friedman, inflexible. Fellow Austrian Fritz Machlup, a founder member of the Mont Pèlerin Society whose work treated knowledge as an economic resource, recalls that Mises was rarely able to ‘listen to an opponent’s argument and discuss it in a friendly spirit’. In a letter to Hayek written in 1940, Machlup goes further, terming Mises a ‘problem child’ and declaring that he had ‘little hope for him’ (quoted in Burgin, 2012: 75). Machlup’s verdict proved largely correct, for over time Mises became an increasingly isolated figure, existing only at the edge of the neoliberal movement. Mises died in New York in 1973, a year before Hayek was awarded the Nobel Memorial Prize in Economic Sciences, following which the neoliberal revolution in both economic and political circles began to gather pace.

The importance of Mises’ early writings, however, should not be underestimated. His books *Socialism*, first published in 1922, and *Liberalism: The Classical Orthodoxy*, published five years later but only translated into English in 1962, are significant because they set an agenda for the development of a liberalism that was primarily economic rather than political in basis (see Tribe, 2009). This new or ‘neo-’ liberalism was,
in its earliest form, both a defensive project that sought to conserve principles of individual freedom that had been central to classical forms of liberalism, and a positive programme that emphasized the powers of the free market and the importance of individual choice. Mises addresses his relation to previous bodies of political-economic thought in his book *Liberalism*. This work contains a rough sketch of the history of the ‘liberal mind’ that is quite different from anything found in Foucault’s biopolitics lectures, which identify Jeremy Bentham as the figure who, in his writings on the Panopticon, advanced the ‘very formula of liberal government’ (2008: 67). Mises’ genealogy of liberalism runs, instead, from David Hume and Adam Smith in the mid to late 18th century through to Jeremy Bentham in the late 18th century and early 19th century and ends with John Stuart Mill’s turn to socialism in his later years. In spite of this mention, Bentham barely features in Mises’ work. Rather, for him Mill (1806–73) – the most prominent British political economist of the late 19th century – is the key figure, if only for the wrong reasons.

In *Socialism*, Mises calls Mill the ‘last representative of the classical school of economists’, and chides him for not understanding that under conditions of capitalism ‘the worker has an interest in doing his utmost because his income depends upon the value of the work which he performs’ (1951: 177). Mill’s *Principles of Political Economy*, which went through seven editions before his death in 1873 (see Halliday, 1976: 94), was the key text in the field until it was displaced both by developments in marginalist economics from the late 1870s onwards – which sought to explain value as something generated by consumption and not simply labour (see Tribe, 2003; Morgan, 2003) – and by the emergence of economics as a formal discipline, particularly following the publication of Alfred Marshall’s *Principles of Economics* in 1890. Mill was in many ways a pioneer of modern economic thought as he was a key figure in the ‘denaturalization’ of the economic order and, as Margaret Schabas argues, he did more than any other economic thinker of his age to take ‘man out of nature’ (2005: 150). But by the early decades of the 20th century the influence of his political economy had waned.

The reason, however, for Mises’ hostility towards Mill is more political than economic in basis, for Mises argues that Mill corrupted classical liberalism with socialist ideas following his marriage to Harriet Taylor (a key figure in the women’s rights movement; on the relation of Mill and Taylor see M. Gane, 1993: 128–40) in 1851. In an appendix to *Liberalism*, Mises writes:

John Stuart Mill is an epigone of classical liberalism and, especially in his later years, under the influence of his wife, full of feeble compromises. He slips slowly into socialism and is the originator of the thoughtless confounding of liberal and socialist ideas that led to the
decline of English liberalism and to the undermining of the living standards of the English people... for Mill is the great advocate of socialism. All the arguments that could be advanced in favour of socialism are elaborated by him with loving care. In comparison with Mill all the other socialist writers – even Marx, Engels, and Lassalle – are scarcely important. (2005a: 153–4)

This judgement that Mill is more important than Marx as an advocate of socialism is surprising given that in classic liberal texts such as On Liberty Mill is wholly supportive of free trade, arguing that in terms of trade or production ‘all restraint, qua restraint, is an evil’ (1991: 105). There are other passages in this same text in which Mill clearly allies liberalism to the operation of free market capitalism. Nonetheless, Mises holds Mill as the chief culprit for the decline of classical liberalism. This is a position from which Mises barely deviates throughout the whole of his career. In his later Human Action, Mises (2007: 678) mocks ‘the socialists’ for believing that socialism will bring about a ‘miraculous’ change in human nature: from ‘mean egotism’ to ‘lofty altruism’. He credits Mill for refuting such belief, but argues that Mill did so, misguidedy, only to show that there would still be productivity of labour under socialism. Mises’ only enthusiastic remarks on Mill’s work are to be found in Theory and History, which draws on Mill’s critique of Bentham in order to question the idea that liberty is ‘the unbridled despotism of the majority’. Mises suggests that freedom should be thought of instead in terms of the struggle of minorities against the majority (see 2005b: 44) – a position that later resurfaces in the work of Hayek.

For Mises, it is primarily because of Mill that the classical tradition of liberalism needs to be reinvented, or at the very least rethought. Mises’ initial step was to consider the epistemological basis of a liberalism that was economic rather than political in the first instance. To do so, however, Mises did not turn back to Mill or to other political economists such as Smith, Ricardo or Bentham, but to the newly formed discipline of sociology. In particular, he turned to the work of his contemporary and friend Max Weber, who had drawn on the work of Carl Menger, a founding figure of the Austrian School of Economics, to develop the methodological basis of an interpretive sociology that centred on the social actions of individuals (Hayek was later to laud the contribution made by Menger to questions of economics and method; see Hayek, 1992: 61–107). Weber’s influence on Mises can clearly be seen in the latter’s Epistemological Problems of Economics (for a fuller account of this connection see Gane, 2012a: 72–94). In this work, Mises argues, in response to Weber, that it is a mistake to differentiate between different types of social action, for ultimately ‘[a]ll action is economizing with the means available for the realization of attainable ends. The fundamental law of action is the economic principle. Every action is under its sway’
Mises departs from Weber because he argues that human action, by definition, is instrumentally rational because it always involves a choice of means and ends and is at the same time also guided by values. Mises, takes a methodological position that retains the assumption of a rational human actor, but this is not to say that he is sympathetic to the construct known as *homo œconomicus* or ‘economic man’, which emerged from Mill’s early *Essays on Some Unsettled Questions of Political Economy* (see Milonakis and Fine, 2008: 27–33) in the mid 19th century. Quite the opposite. Mises argues, in line with marginalist economics, that the problem with classical political economy is that it centres on the ‘economic, materialistic side’ of ‘man’ and in so doing observes ‘him only as a man engaged in business, not as a consumer of economic goods’ (1960: 180). The problem with such an approach, he argues, is that value is not created simply through acts of production but also through rational judgements of worth by individual consumers (a position which led sociologists such as Weber (1975) to question whether value is psychological or social in basis).

Foucault touches in brief on these points in his lectures on biopolitics, but maintains that at the heart of neoliberal thought lies a new *homo œconomicus* that is not a partner of exchange, as it was in classical liberalism, but rather an entrepreneurial being, or what he calls an ‘entrepreneur of himself’ (Foucault, 2008: 226). The defining feature of neoliberalism, he adds, is that it extends this model of the *homo œconomicus* to the analysis of ‘every social actor in general’, and with this its application to ‘domains of behaviour or conduct’ that lie beyond the market: ‘to marriage, the education of children, and criminality, for example’ (Foucault, 2008: 268). Foucault claims that this tendency to analyse social life on the basis of pre-defined economic principles started in 1949 with Mises’ three-volume work on *Human Action*. But this is mistaken, as Mises’ position on the *homo œconomicus* is already well defined in his *Epistemological Problems of Economics*, which dates from 1933. If anything, Mises is more hostile to this notion in *Human Action*. In this later work, he argues that the *homo œconomicus* is not an ideal-type (see Mises, 2007: 62), and that the economic does not centre on such a ‘fictitious’ human subject but deals instead with ‘the real actions of real men’ (2007: 651). In *Human Action*, contrary to Foucault’s depiction, Mises is less concerned with the construction of an entrepreneurial human subject per se than with the development of what he calls praxeology, by which he means ‘not only the study of society, societal regulations, and mass phenomena, but the study of human actions’ (2007: 651). Where Foucault is right, however, is to see in this work a broader tendency to read the social in economic terms, for a key part of Mises’ praxeology is the formulation of an economics of market society, or what he calls catallactics, which seeks, above all, to analyse ‘actions which are conducted on the basis of monetary calculation’ (2007: 233–4).
An important step in Mises’ redefinition of the liberal project against the classical liberalism of figures such as Mill is to formulate monetary calculation as both a ‘method of thinking’ and as the basis of a science of human action. This approach, which emphasizes the importance of individual choice, takes the market as the starting point for the study of sociality. Indeed, Mises argues that the ‘market is a social body; it is the foremost social body’ (2007: 315). As in his earlier *Epistemological Problems of Economics*, sociality is seen ultimately to be economic in basis.

If texts such as *Human Action* seek to break from the epistemological framework of classical political economy, Mises’ book *Liberalism* seeks both to reclaim and move forward the liberal agenda on political grounds. Mises’ attempt at formulating a new or ‘neo-’ liberalism – a term he uses as early as 1927 in the first chapter of *Liberalism* (see 2005a: 9) – is very much a response to political developments of the time, including: the Russian Revolution of 1917 (2005a: 24–5); the growing threat of fascism, which, for Mises, emerged as a consequence of the communist assault on liberal principles (2005a: 25–30); new programmes of government intervention that came to the fore with Roosevelt’s New Deal (2005a: xiv; see Foucault, 2008: 78–9; Jones, 2012); and, while it is not stated explicitly, the emergence of ‘new’ forms of parliamentary liberalism under the leadership of Herbert Henry Asquith and then David Lloyd George, to which John Maynard Keynes long gave his political support. Mises believed that the term liberal had been corrupted, and in an appendix to his book *Liberalism* observed that ‘Almost all who call themselves “liberals” today decline to profess themselves in favour of private ownership of the means of production and advocate measures partly socialist and partly interventionist‘ (2005a: 157). Mises’ target, although not mentioned by name, is clearly Mill, along with more contemporary figures who saw socialism as the natural extension of liberal principles (on this question see Mises, 1951: 52). Mises’ critique, however, is centred not just on what he saw to be the demise of liberalism in England. It also extended to the US, and to the ‘American self-styled liberal’ who is ‘a resolute foe of free enterprise, and advocates all-round planning by the authorities’ (2005a: xiii–xiv).

Mises argues, starkly, that there is no ‘middle way’ of interventionism that can sit between the free play of the market, on one hand, or planned economies on the other. Rather, the choice is for either capitalism or socialism (2005a: 53). In arguing for the former, he places strict limits on the role of the state. He declares: ‘As the liberal sees it, the task of the state consists solely and exclusively in guaranteeing the protection of life, health, liberty, and private property against violent attacks. Everything that goes beyond this is an evil’ (2005a: 30). This position is clearly far removed from that found in Mill’s later writings on socialism, which reach the conclusion that ‘various schemes for managing the productive
resources of the country by public instead of private agency have a case for a trial’ (1998: 429). And seemingly in response to the argument of Mill’s most famous text, *On Liberty*, which questions where the authority of society over the individual should both begin and end (see 1991: 83), Mises advances a radically libertarian view – one from which Hayek and other early neoliberals would depart. Whereas Mill identifies possible abuses of the preventative function of government (see 1991: 106) but nonetheless endorses, among other things, the progressive taxation of stimulants deemed to be ‘positively injurious’, Mises declares that as soon as ‘we surrender the principle that the state should not interfere in any questions touching on the individual’s mode of life, we end by regulating and restricting the latter down to the smallest detail’ (2005a: 32).

Mises, unsurprisingly, is openly hostile to advocates of what he calls ‘antiliberalism’ whose work, in his view, had nothing to do with liberalism even in name. As one might expect, he is deeply critical of Marx, in particular his materialist view of history which he calls ‘absurd’ (2005a: 60), and is even more scathing of socialists such as Charles Fourier, whose work is dismissed as ‘the mad product of a seriously deranged brain’ (2005a: xxix). Through the course of his analysis, Mises draws attention to the problem of pricing in planned economies (2005a: 47). This is a problem that is also addressed by Weber in *Economy and Society* (see 1978: 104–7) and later by Hayek in *Road to Serfdom* (see, for example, Hayek, 1944: 59–90), but what is distinctive about Mises’ approach is that it centres on the defence of private property and more generally the private ownership of the means of production, which, he argues, ‘coincides with the history of the development of mankind from an animal-like condition to the highest reaches of modern civilization’ (2005a: 37). Mises advances two further arguments about property: that private property underpins the very basis of sociality, or what he calls ‘cooperation and association’ (see 2005a: 60), and that such property ‘creates for the individual a sphere in which he is free of the state’ (2005a: 44). For these reasons, he declares, liberalism should, as one of its first principles, always seek to protect private property as it is the institution from which all other freedoms flow.

This is a position that to a large extent is reproduced by Hayek in *The Constitution of Liberty* (1960: 123) and Milton Friedman in *Capitalism and Freedom* (see, for example, 1962: 34). But there is a fundamental tension in Mises’ work that would prove difficult for later neoliberal thinkers to resolve: the state is asked to protect private property (see 2005a: 17) while at the same time such property is said to constitute a sphere of freedom outside the reach of the state, a sphere in which ‘the autonomy of the individual and ultimately all intellectual and material progress’ is said to be rooted (2005a: 44). This tension, which ultimately hinges on the legislative reach of government, resurfaces in a different
guise in Hayek’s *Road to Serfdom*, which sees the necessity of law to promote freedom in the form of competition but at the same time identifies a tendency for the law of ‘corporations and patents’ to destroy competition ‘in many spheres’ (1944: 39). Ronald Coase (1960) would later address such problems in his writings on property rights (as formulated, for example, through his writings on social costs). But it is Mises who, first of all, sought to resist the encroachment of socialist principles into liberal thought by reasserting the value of private property on the grounds that it protects ‘general’ rather than class interests, and that it does so by setting limits to what he calls the operation of an ‘authoritarian will’ (2005a: 44; see also 1951: 501).

**Friedrich von Hayek: Anti-rationalistic Neoliberalism**

Mises is a key figure in the emergence of neoliberal thought. At the outset of his book *Liberalism*, he distinguishes between classical liberalism and what he calls neoliberalism on the grounds that they have different approaches to the question of equality: the former assumes all men are equal while the latter asserts that nothing is ‘as ill-founded as the assertion of the alleged equality of all members of the human race’ (Mises, 2005a: 9). Through his writings from the 1920s onwards, Mises opened a space for rethinking the liberal project by, on one hand, developing a new epistemology of human action, and, on the other, redefining liberalism against what he saw to be its corruption by socialism. In early texts such as *Epistemological Problems of Economics*, *Liberalism* and *Socialism*, Mises worked along these twin fronts to advance a form of neoliberal reason that he would develop further in later writings on epistemology (most notably *Human Action* and *The Ultimate Foundation of Economic Science*), and in more overtly political texts, such as *The Anti-Capitalistic Mentality*, that call for the protection of civilization through the ‘open and unrestricted support of laissez-faire capitalism’ (1956: 152).

Mises’ ideas were deeply influential among those hostile to the political Left. Hayek recalls, in particular, the impact of Mises’ *Socialism*, reflecting that to the ‘young men’ who read the book the world was never to be the same again. Two of these young men were Lionel Robbins, who was behind the hiring of Hayek at the London School of Economics in 1931 and who played a key role in drawing up a statement of aims for the Mont Pèlerin Society in 1947 (see Plehwe, 2009: 24; on the relation of Hayek and Robbins, see Burgin, 2012: 16–32), and Wilhelm Röpke, who was to become a leading figure in post-war ordoliberalism (see Hayek, 1992: 136). Hayek himself worked under Mises at the Austrian Institute of Business Cycle Research and was also part of his *Privatseminar*. While their work is quite different both in terms of tone and content, many of Mises’ interests and ideas clearly feed through into Hayek’s writings from the 1930s onwards (for a collection of Hayek’s writings on Mises, see
Hayek, 1992: 126–59). Among other things, these include: a critique of socialism and planned economies; a reappraisal of the legitimate scope of government; a defence of the principle of private property; the development of a science of catallactics; and a vocal attack on positivist forms of sociology. Neither Mises nor Hayek, however, figures prominently in Foucault’s biopolitics lectures. This is surprising given that Foucault says of Hayek that his ‘career and trajectory was ultimately very important for the definition of contemporary neo-liberalism’ (2008: 104), and, at a later point in these lectures, that Hayek and Mises were key ‘intermediaries between German ordoliberalism and American neo-liberalism’ (2008: 161). Foucault never says exactly how or why Hayek was so important for the emergence of neoliberalism, or what his role was, with Mises, in transmitting neoliberal ideas to North America (or, one might add, Latin America for that matter). Instead, his remarks on Mises and Hayek are limited to two main cursory statements: first, that they both ‘denied that there was an economic rationality to socialism’ (2008: 92); and, second, that Hayek in particular opposed the rule of law to the idea of a ‘plan’, or rather ‘the adoption of precise and definite economic ends’ (2008: 172). But what about the broader formulation of neoliberalism that emerges through the course of Hayek’s work, the details of which are largely missed by Foucault, who tends to focus instead on the post-war development of ordoliberalism?

Hayek’s neoliberalism, like that of Mises, is born out of a critical engagement with liberal political economy, as well as with later forms of Keynesian liberalism that have now been well documented (for Hayek’s reading of Keynes, which cannot be discussed within the limits of the present paper, see Hayek, 1995; for a commentary, see Wapshott, 2012). Hayek’s reading of classical liberalism, and in particular his position in relation to Mill, is complex (see Caldwell, 2008). Whereas, for Mises, Mill was the figure who, under the guidance of his wife, Harriet Taylor, infected liberalism with socialist ideals, Hayek does not dismiss Mill so readily. In 1951, Hayek edited a volume of letters between Mill and Taylor, in the introduction to which he says the following of Taylor: ‘[f]ar from it having been the sentimental it was the rationalist element in Mill’s thought that was mainly strengthened by her influence’ (1951: 17). Oddly, in spite of Mises’ views, which Hayek would have known well, there is no mention of Mill’s writings on socialism anywhere in this introduction. Instead, Hayek makes the following judgement:

even if in the final estimate Mill should not be ranked as an original thinker of the first order, I believe that his reputation will emerge from its present eclipse; he will be recognized as one of the really great figures of his period, a great moral figure perhaps more than a great thinker, and one in whom even his purely intellectual
achievements are mainly due to his profound conviction of the supreme moral value of unrelenting intellectual effort. (1951: 16)

This passage is hard to assess. For while Mill is said to be a ‘really great’ figure of his age, his worth is ultimately seen to lie in his underlying morality rather than in his capacity for ‘original’ thinking, or, for that matter, his contribution to political economy. Hayek does draw upon Mill through the course of his own work, but, as Caldwell notes, ‘what he had to say about Mill, what portion of Mill he drew upon, was very much dictated by the sort of project he was working on’ (2008: 702). In Road to Serfdom, for example, Mill barely features except for a brief reference to his ‘great essay’ On Liberty. But in his later Constitution of Liberty, Hayek is openly critical of the core argument of this same work: that ‘[a]s soon as any part of a person’s conduct affects prejudicially the interests of others, society has jurisdiction over it’ (Mill, 1991: 83). Hayek’s response to Mill is that in reality ‘there is hardly any action that may not conceivably affect others’ (1960: 127; for Mill’s anticipation of this critique, see 1991: 88), and because of this the relationship between individual freedom and the powers of state or government need to be fundamentally rethought.

At an earlier point in The Constitution of Liberty Hayek advances two further arguments that position his work in relation to classical liberalism more generally. The first is that only Bentham advanced a truly laissez-faire position, particularly in his Theory of Legislation in which it is argued that ‘every law is an evil for every law is an infraction of liberty’ (cited by Hayek, 1960: 54). At first sight, this statement would suggest that Foucault is right to choose Bentham as the ideal-typical exponent of classical liberalism, but this is not actually the case as Hayek insists that Bentham’s position is more consistent with the French rationalist tradition. English liberalism, he observes, was, by contrast, ‘never antistate as such, or anarchistic, which is the logical outcome of the rationalistic laissez faire doctrine; it was an argument that accounted both for the proper function of the state and for the limits of state action’ (Hayek, 1960: 54). Second, Hayek insists that the model of homo economicus was never originally part of the British ‘evolutionary tradition’, which instead saw man to be ‘lazy and indolent’. Hayek complains that the ‘homo economicus was explicitly introduced, with much else that belongs to the rationalist rather than to the evolutionary tradition, only by the younger Mill’ (1960: 55). Again, this position is likely to come as a surprise to readers of Foucault’s biopolitics lectures, which place the model of homo economicus at the heart of neoliberal reason, particularly at it was advanced by later figures in the Chicago School. But why is this conception of ‘economic man’ along with related notions of rational choice, from which Mises attempts to distance himself from but never completely escapes, a problem for Hayek?
To answer this question it is necessary to turn back to Hayek’s earlier work, *Individualism and Economic Order* – a collection of essays, published in 1948, that was intended to be a scholarly supplement to more popular texts such as *Road to Serfdom*, and which gives a crucial insight into the development of Hayek’s thought from the mid-1930s (immediately prior to the Walter Lippmann Colloquium, which Foucault takes as a starting point of the neoliberal project, see 2008: 132–3) through to the inception of the Mont Pèlerin Society in 1947. Through the course of this collection, Hayek goes further than Mises in rethinking the liberal project as he breaks with many of the key ideas not just of earlier forms of liberal political economy but also of more contemporary forms of neoclassical economics (for an overview of these principles see Brennan and Moehler, 2010). In the first chapter of this book, originally a paper dating from 1945, Hayek draws a distinction between ‘true’ and ‘false’ individualism. True individualism, he argues, comes from ‘a theory of society’ based on the idea ‘that there is no other way toward an understanding of social phenomena but through our understanding of human actions directed toward other people and guided by their expected behaviour’ (Hayek, 1948: 6). Hayek states that such an understanding comes from the work of thinkers such as Burke and de Tocqueville, although one can also detect the influence of Max Weber’s interpretive sociology here (see Gane, 2012a: 72–94), and also possibly the work of Alfred Schutz (who was a member of the Mises’ circle, and participated in the Mont Pèlerin Society’s annual meeting in 1949; see Wagner, 1983: 159). False individualism, on the other hand, is said to come from the French rationalist tradition that begins with Descartes and leads through Rousseau, Saint-Simon and others to what is, for Hayek, the opposite of individualism: ‘namely, socialism or collectivism’ (1948: 4).

It is with this distinction that Hayek moves away not just from Mill, who is seen to span the French and the English traditions, but also from the underlying rationalism of Mises’ theory of human action, which rejects the idea of the *homo economicus* but nonetheless treats all human action as intrinsically rational. Hayek declares that one of the main problems of liberalism is the ‘bogey of the “economic man”’ (1948: 11). This position, which again is quite different from the one described by Foucault in his biopolitics lectures, is accompanied by an appeal to the ‘antirationalistic’ ideas of earlier forms of English individualism. Hayek cites, in particular, the work of Bernard Mandeville, which ‘regards man not as a highly rational and intelligent but as a very irrational and fallible being whose individual errors are corrected only in the course of a social processes’ (Hayek, 1948: 8–9). From this starting point, Hayek develops a further argument: that if individual knowledge is necessarily limited on the grounds that ‘no person or small group of persons can know all that is known to somebody’ (1948: 16), then all forms of governmental power must also be subject to the same limitation.
This argument recycles Adam Smith’s earlier critique of the physiocrats, who drew up an economic table which, in the words of Foucault, sought to give ‘the sovereign the possibility of exact knowledge of everything taking place within his country, thus giving him the power to control economic processes’ (2008: 285). For Smith, such absolute knowledge was simply not possible. Hayek shares this position, and on these grounds argues that government must be limited. But to limit government, Hayek adds, it is necessary to break decisively from any notion of laissez-faire liberalism. For this to happen, what is needed is an assessment of what Hayek calls the ‘desirable or necessary fields of governmental activity’ (see 1948: 17). It is here that the reversal of classical liberalism, as outlined by Foucault in his biopolitics lectures, begins. For government, unlike the competitive structure of the market, is not something to be left to limit and regulate itself; rather it must be limited on the basis of principles that come from the market. This means, for Hayek, democracy on its own is not enough. Indeed, he openly declares that he ‘has no superstitious belief in the omniscience of majority decisions’, and adds that ‘the merit of competition is precisely that it gives the minority a chance to prevail’ (1948: 29–30).

In further essays from the mid-1930s to mid-1940s, Hayek extends this critique of classical liberalism, on the one hand, and of neoclassical economics on the other, by questioning their commitment to a theory of economic equilibrium. In so doing, he breaks decisively with Mises’ work, and in particular with his ‘insistence on the a priori foundations of economic analysis’ (Burgin, 2012: 51). A key essay here is ‘Economics and Knowledge’, which dates from 1936. Here, Hayek argues that the concept of equilibrium may be useful to a degree when dealing with single economic actors, but has little meaning when it is applied to the explanation of the interactions of individuals on a grander scale. The main problem with economic analysis based on an idea of equilibrium, which was central to the work of neoclassical thinkers such as Walras (see Morgan, 2003: 279), is that it assumes the presence of a perfect market in which members have instantaneous and equal knowledge of all necessary data or events. Hayek insists that this is a mistake, for it assumes that actors ‘know automatically all that is relevant for their decisions’, and in so doing equilibrium economics reverts back to a rationalist model of human agency: ‘It seems that that skeleton in our cupboard, the “economic man”, whom we have exorcised with prayer and fasting, has returned through the back door in the form of a quasi-omniscient individual’ (1948: 46). For Hayek, the challenge is rather to question how it is possible that fragments of individual knowledge that exist in the minds of different individuals can ‘bring about results’ that could only be brought about through deliberate planning if there was knowledge in a ‘directing mind’ that no single person can possess (see 1948: 54).
Hayek’s answer to this question comes in a further paper, ‘The Use of Knowledge in Society’, first published in 1945. In this essay, he expands on the argument of Road to Serfdom by declaring that economic activity always involves planning in some sense, but this can be of two types: central planning (‘direction of the whole economic system according to one unified plan’), or competition, by which is meant ‘decentralized planning by many separate persons’ (1948: 79). Hayek advances an argument in support of the latter. Interestingly, he does so by making an appeal to the intrinsic or lay rationality of the individual actor, who is said to have an advantage over all others on the grounds that they have ‘unique information’ that arises from their ‘knowledge of the particular circumstances of time and place’ (Hayek, 1948: 80). In making this statement, Hayek might appear to be making a concession to the deep-seated rationalism of Mises’ writings on human action, but the rationality in question here is less the formal type that comes from the work of Weber than the lay rationality of economic actors which is central to what Michael Polanyi (2002) (who was present at the Walter Lippmann Colloquium and a founder member of the Mont Pe `lerin Society) would later describe as ‘tacit knowledge’. Even then, however, Hayek is quick to assert that human knowledge is necessarily imperfect; hence the need for an informational system through which knowledge can be acquired, communicated and co-ordinated (see 1948: 91).

What is this system? And what is the institution through which fragments of individual knowledge are brought into contact with one another and potentially improved? Hayek is clear: it is not the state, or any governmental agency that advocates centralized planning. Rather, it is the market, or to be more precise the pricing mechanism which, for Hayek, is central to the operation of free market capitalism. Hayek declares: ‘in a system in which the knowledge of the relevant fact is dispersed among many people, prices can act to co-ordinate the separate actions of different people’ (1948: 85). And he adds: ‘The mere fact that there is one price for any commodity . . . brings about the solution which (it is just conceptually possible) might have been arrived at by one single mind possessing all the information which is in fact dispersed among all the people involved in the process’ (1948: 86). This does not mean that the pricing mechanism is perfect, as commonly assumed in equilibrium analysis, but nevertheless Hayek sees it both as the basis upon which ‘the whole’ is able to act as one market, and the means through which planning in the form of competition is to proceed. Hayek here does not refer to Adam Smith’s ‘invisible hand of the market’, but in similar vein says that the market is a ‘marvel’ (1948: 47).

The concept of competition is a vital part of the neoliberal project. In his biopolitics lectures, Foucault argues that what is distinctive about post-war ordoliberalism is that it identifies competition rather than exchange as the fundamental principle of the market. He qualifies this
statement by adding that while this position breaks from the work of 18th-century liberal economists (presumably he means Adam Smith), it extends the later development of liberal thought, which, from the late-19th century onwards, ‘accepted that the most important thing about the market is competition’ (2008: 118). Foucault does not mention Mill, but his work provides a clear example of this shift from what Foucault calls a concern for ‘value and equivalence’ to questions of ‘competition and monopoly’. In his *Principles of Political Economy*, Mill declares that while he agrees with certain practical aims of socialists, he utterly dissents from ‘the most conspicuous and vehement part of their teaching, their declamations against competition’ (1998: 156) (on the complex configuration of socialism and laissez-faire thinking in Mill, see Halliday, 1976: 93–113). What the socialists forget, he continues, is that ‘wherever competition is not, monopoly is’ (1998: 156). Such questions of monopoly and competition are taken up, in turn, by Alfred Marshall in the introduction to the book that largely displaced Mill’s writings on political economy: *Principles of Economics*. Marshall’s verdict is that while competition can be both constructive and destructive, when contrasted with ‘energetic co-operation in unselfish work for the public good, then even the best forms of competition are relatively evil; while its harsher and meaner forms are hateful’ (2009: 7). This view is certainly not shared by early neoliberals such as Mises, who in fact takes a position closer to that of Mill. Mises, for example, argues quite the opposite to Marshall: that competition is an essential part of a system of ‘social cooperation’ within which individuals, under a division of labour, ‘strive to attain the most favourable position’ (2007: 273). And in agreement with Mill (although he never acknowledges this), Mises insists that it is only through acts of governmental intervention that seek to exclude competition that problems of monopoly arise (see 2005a: 63–7), and, beyond this, that competition is the solution to, rather than the cause of, monopoly.

For Foucault, the emergence of neoliberalism rests on the formulation of a theory of ‘pure competition’ that does not define competition as something primitive or natural, but rather as ‘a structure with formal properties’ that can assure ‘economic regulation through the price mechanism’ (2008: 131). This distinction between competition as natural and as social is present in Mises’ *Human Action*, which demarcates between biological competition, which refers to ‘the rivalry between animals which manifests itself in their search for food’ (2007: 273), and catallactic competition, which refers to a struggle within a market that ultimately leads to cooperation through agreement over price. For the most part, however, the concept of competition is not extensively developed in the writings of Mises. It is Hayek who places this concept at the heart of a neoliberal agenda, particularly in his 1946 paper ‘The Meaning of Competition’, in which competition is defined, following ‘Dr. Johnson’ (presumably Samuel Johnson), as ‘“the action of endeavouring to gain
what another endeavours to gain at the same time’” (Hayek, 1948: 96). Hayek’s first move in this paper is to question ideas of ‘perfect competition’ that are central to theories of economic equilibrium, and which presume the existence, in particular, of ‘complete knowledge of the relevant factors on the part of all participants in the market’ (Hayek, 1948: 95). Hayek’s position, paradoxically, is that if such a situation of complete knowledge were to exist (which it cannot), then there would be no competition as such for the ‘wishes and desires’ of consumers, and thus presumably the exact price of everything, would be known in advance.

The problem, for Hayek, is that in ‘real life’ things are quite different from abstract economic models of perfect competition. In his earlier paper ‘Economics and Knowledge’, Hayek gestures to the work of Frank Knight, and in particular to his distinction between perfect and actual competition, which recognizes that there are not just risks in economic life but more radical forms of uncertainty that are effectively ‘unmeasurable’ (see Knight, 1921: 117). Hayek writes, presciently, that Knight’s theory of risk ‘may yet prove to have a profound influence far beyond its special field’ (1948: 34; see Gane, 2012a: 114–24). Hayek’s response in his essay ‘The Meaning of Competition’ is that it is precisely in instances where the market cannot be perfect that the need for competition is at its greatest. His argument is that the pricing mechanism can only work effectively where competition is allowed to operate, for competition is essential for ‘spreading information’ that, in turn, enables people to identify ‘possibilities and opportunities’ in the market (see Hayek, 1948: 106). As Foucault observes in his biopolitics lectures, competition rather than exchange becomes the mechanism for a new process of veridiction through the market.

Hayek, however, is not simply interested in the meaning of the term competition in this essay, for, in line with his critique of centralized planning in texts such as The Road to Serfdom, he argues that there is a more serious point of concern about the tendency of government to place restrictions on its operation. On this basis, Hayek declares that ‘we should worry much less about whether competition in a given case is perfect and worry much more about whether there is competition at all’ (1948: 105). Hayek responds by voicing a political complaint: that economists, in their concern with the theoretical imperfections of competition, have too often been silent in the face of deliberate attempts to suppress competition in the marketplace. This complaint returns in Hayek’s key intervention at the inaugural meeting of the Mont Pèlerin Society in 1947, through the course of which he argues that the ‘hopelessness of the prospect of the near future’ was due to the fact that no organized political group supported the cause of a ‘truly free’ market system (see 1948: 108). The task that faced the Society, in Hayek’s view, was to make competition – and thus the market – work. As Foucault observes in his biopolitics lectures, however, competition cannot work on
its own, and so needs the support of government. Hayek’s position on the problem is as follows:

While it would be an exaggeration, it would not be altogether untrue to say that the interpretation of the fundamental principle of liberalism as absence of state activity rather than as a policy which deliberately adopts competition, the market, and prices as its ordering principle and uses the legal framework enforced by the state in order to make competition as beneficial as possible... is as much responsible for the decline of competition as the active support which governments have given directly and indirectly to the growth of monopoly. It is the first general thesis which we shall have to consider that competition can be made more effective and beneficent by certain activities of government than it would be without them. (Hayek, 1948: 110)

In this passage, which marks a clear break from the libertarian commitments of Mises, Hayek advances a position that Foucault, in turn, attributes to ordoliberalism: that the laissez-faire approach to the market, which is said to be characteristic of classical liberalism, should be replaced by a reconfiguration of government so that it works in the interests of the market by promoting competition in all spheres of life. For Hayek, unlike Mises, classical liberalism is unsatisfactory in so far as it sees the limits of government as lying in the protection of private property and the freedom of contract, for in practice government can do much more to promote what he calls a ‘competitive order’ (on the role of classification and of the so-called ‘audit’ society in this context, see Gane, 2012b). Foucault captures this shift towards a new regime of ‘ordered competition’ in a simple but striking formula: ‘One must govern for the market, rather than because of the market’ (2008: 121). It is with this new ‘art’ of governance that the neoliberal project, as something more than an epistemological framework, begins.

**Concluding Remarks**

This paper has sought to construct a genealogy of neoliberalism that traces the emergence of this form of economic and political thought to the early-1920s – a project that Foucault hints at in his lectures on biopolitics but never follows through (see 2008: 92). It has done so, in the first instance, by drawing attention to the importance of the work of John Stuart Mill both as final expression of classical liberalism and as a key point of departure for thinkers such as Mises and Hayek. Oddly, Mill is missing not just from Foucault’s biopolitics lectures but also from his *Order of Things* (1970), which traces the emergence of economics to the work of David Ricardo but says nothing about the later epistemological shift
from the political economy of Mill to the neoclassical economics of the marginalist school, as espoused by thinkers such as Williams Jevons, Leon Walras, John Clark and Carl Menger (for a clear overview of the positions of these thinkers, see Morgan, 2003: 279) and to the more formal economics of Marshall (see Foucault, 1970: 253–63; for a critical reading of Foucault on the question of economics, see Schabas, 2005: 17–18). The argument of this paper is that neoliberal thought developed out of the problem space that lies between the decline of political economy at the end of the 19th century and the mobilization of neoliberal ideas post-1945. Neoliberalism, as a call to rethink and, in the case of Hayek, move beyond the epistemological and political limits of classical liberalism, has its origins in the writings of Mises and Hayek from the 1920s and 1930s rather than in the 1940s, as is commonly understood, with the post-war settlement (see Jones, 2012), the emergence of ordoliberalism, and the founding of the Mont Pèlerin Society.

Why, some might ask, does this matter? One answer is that to understand and potentially engage with neoliberalism, both in terms of its past and its bearing on the present, it is necessary to grasp the epistemological and political foundations upon which it is built, even if these are constantly shifting. Through the course of his lectures on biopolitics, Foucault refers to the ordoliberalism of post-war Germany, which sought to redefine the state upon principles that come from the market, as ‘the contemporary neo-liberalism which actually involves us’ (2008:101). The problem with this account is that the theoretical basis of German ordoliberalism did not simply emerge ex nihilo after 1945; rather, it both built upon and responded to prior work by Mises and Hayek. In order to understand how ordoliberalism today ‘involves us’ it is thus necessary to engage with the arguments of this work, many of which continue to influence contemporary debates about the state and its connection to the market.

Mises, for example, advances a strong critique of the capacity for government to impinge upon the exercise of individual freedoms – a critique that lives on in libertarian circles today. His work, above all, asserts the epistemological and political primacy of the individual against the more collectivist positions of those on the political Left as well as against classical liberal texts such as Mill’s On Liberty. Hayek’s position, by contrast, is more subtle, and not only questions neoclassical assumptions about the inherent rationality of human action, but takes a stand against classical conceptions of laissez-faire by arguing for the necessity of government to promote competition both in the market and beyond it. This idea of government according to principles that come from the market, and which demands that competition is to become the regulatory principle of society, lies, as Foucault observes, at the heart of the ordoliberal project, but arguably ‘involves us’ ever more today following the events of the recent financial crisis, which have been accompanied by the proliferation of different market-oriented forms of governance.
For this reason, the early writings of Mises and Hayek, the theoretical basis of which this paper has sought to examine, are not simply historical in interest; they are also deeply relevant to the present. A genealogy of neoliberalism that traces the emergence and development of its different libertarian (Mises) and ‘positive’ (Hayek) trajectories may thus be deployed as an analytical and critical device. The recent work of Jamie Peck is exemplary in this regard as it identifies the ‘doubling’ of neoliberalism reason, which it conceptualizes in terms of movements of ‘roll-back’ and ‘roll-out’. Roll-back involves an attack on the legitimate reach of government and the state, and is often facilitated by a crisis of some sorts (Peck cites 9/11 and Katrina as examples). It is focused ‘on dismantling alien institutions, disorganizing alternate centres of power, deregulating zones of bureaucratic control, and disciplining unruly (collective) subjects’ (2010: 22). Such initiatives are often accompanied by processes of roll-out that are often harder to spot. These processes, Peck argues, take the form of “market conforming” regulatory incursions – from the selective empowerment of community organizations and NGOs as (flexible, low-cost, non-state) service providers, through management by audit and devolved governance, to the embrace of public-private partnership’ (2010: 23). On this basis, contemporary neoliberalism can be understood as working in two directions at once: through an outright attack on the (welfare) state and through the mobilization of new forms of governmental intervention that are designed to inject regulatory principles of competition into all forms of social life and culture – principles that are mobilized through new techniques of audit and classification (see Gane, 2012b). These two faces of neoliberalism, consisting of an attack on the extent and reach of government and a more subtle argument for regulation through competition, can clearly be detected in the early writings of Mises and Hayek. For this reason, any attempt to write a critical sociology of neoliberal reason must return to, and ultimately engage with, their work.

A genealogy of neoliberalism that traces its emergence and examines its subsequent lines of development is more than just an account of the past. It is also, potentially, a history of the present, or what Foucault calls, following Nietzsche, a critical or effective history: a history that can be used to question the lines of descent that lead to the present while at the same time opening possibilities for thinking otherwise. For contained in the history of neoliberalism are clues as to how a critical sociology or politics of neoliberalism might proceed today. This paper has sought to contribute to and enrich Foucault’s genealogy of neoliberal reason by considering the formative period of neoliberal reason from the 1920s onwards. The question that remains is of the ways in which this extended genealogy might, in turn, expand the possibilities for thinking critically about the present. By way of conclusion, three strategies will be considered, each of which may act as starting points for further work.
First, in the light of the material addressed in this paper, a direct critique can be pursued of the epistemological and political positions that are advanced, in turn, by Mises and Hayek. While this might seem like an obvious strategy, from the period of its inception through to its later mobilization through agencies such as the Mont Pèlerin Society, neoliberal reason largely escaped the critical attention from figures on the political Left. As late as 1985, Ernesto Laclau and Chantal Mouffe were among the first social theorists to identify the ‘neo-liberal defence of the free market economy’ as a new form of hegemonic project. But this was in 1985, when such a project has already been underway for a least half a century. They explain the neglect of attention to neoliberalism in terms of a failure of the Left, arguing that its ‘traditional dogmatism...attributed secondary importance to problems at the centre of political philosophy’ with the consequence that liberal ideas of the state were dismissed on the grounds they did little more than support a ‘superstructural form of domination’ (1985: 174). One may add that this lack of engagement with the neoliberal project is not confined to the Left, but is a feature of the social sciences more generally, which even today have barely engaged with the epistemological and political underpinnings of Mises’ and Hayek’s work. One option is to return to this work in order to pose questions that continue to be relevant to the present. We might ask, for example, of Mises, whether all human action is both rational and economic in basis, and whether competition is indeed the fundamental basis of social co-operation. And in response to Hayek: given that markets are not self-regulating institutions and so require the support of government and arguably the state, should principles that are drawn from the market, such as competition, be applied in return to the analysis and attempted regulation of social phenomena? Put simply, given that the competitive processes and structures of the market themselves need the support of the state, why then should the state and the social more generally be subjected to the rule of the market? By returning to the early writings of figures such as Mises and Hayek it is possible to engage with such arguments at their points of inception, and to develop a critical and sustained response.

Second, genealogy works in different ways to other forms of critical practice because it is concerned with the interstices of history: those ‘non-places’ that sit between different competing bodies of knowledge or discourse (see Foucault, 1977: 150). In Foucault’s sense, a critical history of the present could work between the fracture lines of libertarian and neoliberal approaches that can be traced to the writings of Mises and Hayek. This might proceed at an epistemological level, by pitting, for example, Hayek’s critique of the homo œconomicus against the instrumental rationalism of Mises’ writings on human action. Equally, it is possible to explore more political lines of division over the extent and role of government, or, to use the words of Jamie Peck, ‘where to draw the
line on the role of the state in the economy’ (2008: 26). On such questions neoliberalism, like the classical liberalism of the 19th century, is by no means a homogeneous body of thought that is accepted without question by those on the political Right. Nowhere is this clearer than in the split between libertarian thinkers such as Murray Rothbard, an acolyte of Mises, and more ‘mainstream’ figures such as Hayek. Rothbard’s view of Hayek’s Constitution of Liberty, which has generally been treated as a canonical neoliberal text, is particularly revealing: that it gives too great a role to government in intervening in individual affairs and too readily dismisses the theory of natural law. Rothbard declares that it ‘is, surprisingly and distressingly, an extremely bad, and, I would even say, evil book’ (2009: 61). In the light of such divisions, a critical understanding of, or response to, neoliberalism need not proceed just through critique of the ideas of individual thinkers such as Mises and Hayek; it can work within the interstices of the neoliberal project itself. This would require historical work to expose points of contestation, or what might be called fracture lines, between different bodies of neoliberal reason that have proved difficult, if not impossible, to resolve (for an overview of some of the key tensions that split the Mont Pèlerin Society through the 1950s and early 1960s, for example, see Burgin, 2012: 123–51; and on Milton Friedman’s rejection of many of the principles of Austrian economics, see 2012: 161–2). This aspect of genealogical practice, Foucault argues, is less concerned with acts of interpretation than uprooting ‘traditional foundations’ and disturbing lines of perceived lines of continuity through a practice of what he calls ‘cutting’ (1977: 154).

Third, for those seeking to engage more directly with the politics of contemporary forms of neoliberalism, a history of neoliberal thought from the 1920s and 1930s is important as it serves as a reminder that this movement was born out of a critique of existing liberal and socialist ideas. Nowhere is this clearer than in Mises’ Liberalism, which forges a new liberalism by rejecting the ‘compromised’ liberalism of Mill and leftist alternatives offered by Marx, Lenin, Lassalle, Fourier, and others. It is not, then, that neoliberalism emerged in ignorance of these alternatives; rather it developed as a direct response to them. The challenge that the Left, as well as those committed to more classical liberal principles, still face today is how to respond. What should be done in response to what Foucault calls the ‘problem of the inversion of the relationships of the social to the economic’ (2008: 240)? Foucault’s own work (see 2010, 2011) returns to ancient Greece in order to explore conceptions of the self and of truth that are not immediately reducible to the competitive dynamics of the modern market. But a critical history of the present need not return us to antiquity. One benefit of an historical analysis of the roots of neoliberal reason is that it opens the possibility of reconsidering and re-engaging political positions that neoliberalism initially dismissed, seemingly without reply – positions that range from the
soft socialism of Mill to much stronger leftist arguments both for market regulation and for the protection of state and civil society from the demands of the market. Any such genealogy of neoliberalism is likely to be double-edged, for potentially it can energize political values and commitments that have long since remained dormant, while at the same time reminding us that many contemporary responses to neoliberalism were anticipated by the neoliberal project at its outset. It is for this very reason, however, that it is necessary to think historically about neoliberalism and, with this, the political and social possibilities that are contained within the apparent closures of the present.

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