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## Introduction

- In a regime faithful to neoliberal tenets, governance must be carried out within the constraints of the doctrines of limited government and self-regulating markets. This type of management shifts the locus of power away from citizens and their representatives towards those with capital. As such the neoliberal vision of governance in fact renews with an older liberal tradition and places power squarely in the hands of the bourgeoisie, that is to say those who have capital to invest and whose goal is to accumulate more. In this way, the neoliberals return to the fundamentals of the liberal tradition as established by John Locke, and they turn their backs on the evolution of the liberal regime since the mid-19<sup>th</sup> century. The term “governance” with its apparent neutrality – presented by its proponents as simply a pragmatic method of management – hides from view the re-appropriation of power by the bourgeoisie after more than a century of efforts by reformist liberals to reorient the liberal regime and to place individual self-realization as its primary objective. C.B. Macpherson, in his work *The Life and Times of Liberal Democracy*, identified an internal debate within liberalism between those for whom the principal objective of a liberal regime is to allow each individual to realize his or her potential and those who believe that the primary objective of a liberal regime is simply to leave people alone to the greatest extent possible and allow them to compete in an unhindered market.<sup>1</sup> Governance as defined by neoliberals contributes to resolving the inner struggle within liberalism in favour of the second definition.

## Defining neoliberalism and governance

- 2 Numerous authors have attempted to provide a definition of neoliberalism, the best known of which is David Harvey in his *A Brief History of Neoliberalism*. Perhaps the most meaningful way of defining “neoliberalism” is to accept that it originates in the desire to renew with an older form of liberalism, in the same way as the architects under Napoleon created the *neoclassical* style by renewing with classical architecture (columns, triangular pediments), or in the way that those who initiated the neo-Romanesque style integrated the rounded archways of traditional Romanesque architecture into more contemporary designs. Theoretically this should be enough to define the term. After all, *neoliberalism* reveals a very basic grammatical structure: it is simply composed of the prefix “neo” added to the substantive noun “liberal”. Neoliberals are therefore those who reject the evolution of the liberal regime since the late 19<sup>th</sup> century, and especially since the New Dealers managed to appropriate the term liberal and use it to designate their brand of Keynesian, interventionist political economy. David Harvey provides a more precise definition of contemporary neoliberalism that pulls together the policies of Ronald Reagan, Margaret Thatcher and Deng Xiaoping under one title, and includes an analysis of the role of international institutions promoting globalization and free trade. The political figures at the heart of the neoliberal turn in the early 1980s, along with the leaders of the international institutions, shared a belief in the goal of “liberating individual entrepreneurial freedoms and skills within an institutional framework characterized by strong property rights, free markets and free trade.”<sup>2</sup> They also shared the desire to expand the domain of markets into new areas that, until then, were largely outside the market economy, such as education, health care and water resources. Neoliberals are also unified in their desire to challenge traditional sources of opposition such as labour unions, environmental protection advocates or even nation-states that have retained their historic attachment to welfare state provisions. The two definitions of neoliberalism – Harvey’s and the more general concept of renewing with an older form of liberalism – are in fact complementary: it is by rejecting the liberalism of the post-war consensus and by returning to founders of liberal theory for inspiration, notably John Locke and Adam Smith, that the Thatcher-Reagan-Deng triumvirate and their cohorts were able to develop and to impose the neoliberal ideology described by Harvey, which has since become hegemonic. A new model of governmental management, namely the concept of *governance*, has been employed by neoliberals to help achieve their goals.
- 3 The term “governance” began to appear in the 1980s. On one level, the term corresponds simply to “the action of governing” (Oxford Shorter). However, it is also important to note that neoliberals have appropriated the term and have managed to impose their own definition. As such, “governance” has come to be understood as a specific form of management, originally used in the private sector but that increasingly has been adopted by government, which recreates the mechanisms of a free market for the decision-making process. This can be seen for example in the use of the language of “stakeholders” by governments in public meetings. In a business context, using the word “stakeholders” could be seen as an improvement with regard to the traditional idea of shareholders. It widens the scope of participation beyond those who have invested in a company to include groups that are affected by the company’s actions. However, when the concept is used in the public sector, it reduces the importance of government as a decision-maker.

Governments, mandated by the people through electoral processes, become just one actor in the decision-making process, rather than the essential dominant decider. Instead of seeing their role as that of representing the public interest, and of protecting that interest by imposing limits on the power of private factions, the language of *governance* puts government on equal footing with other actors. Instead of being subject to limits imposed by government, private factions thus become negotiating partners. Under the concept of governance, there is no longer a role for government as advocate for the general interest; instead government is seen as one actor representing a competing interest with other legitimate actors. The public interest is assumed to be met by reaching agreements with the various actors. The word governance is used both for corporate management and for government management and implicitly implies that the interests of both can be made to coincide in an open dialogue. The use of the word governance to designate this type of management reminiscent of free market relations between competing agents can be seen as a victory for the neoliberals. They have imposed a free market model on the very act of governing. Since the onslaught of neoliberal influence under Reagan and Thatcher, governments have come and gone, but the new language of governance has remained, creating a self-perpetuating mechanism. In the neoliberal regime, the concept of governance has contributed to putting decision-making power back into the hands of those who possess capital, and limiting the influence of government and of their regulatory agencies.

- 4 Clearly defining neoliberalism and governance allows this paper to make a clear link between the two. However, addressing this basic requirement also illustrates a problem in the treatment of the two terms in the mainstream media: neoliberalism as a noun has become ambiguous due to its frequent use and misuse, while governance suffers from an Orwellian *newspeak* usage that muddles the debate. Even among academics the terms neoliberalism and governance are often used loosely. This point has been made by Oliver Marc Hartwich in a widely read article entitled “Neoliberalism: The Genesis of a Political Swearword.” Hartwich suggests that few people use the term as a politically neutral designation for a school of thought. Instead, neoliberalism is employed as a broad rallying call for leftist critiques of contemporary right-wing policy, and is often used without discrimination to criticize orthodoxy in economic policy, but also social conservatism, or even western-led military interventions abroad.<sup>3</sup> In short, Hartwich suggests that the very use of the term *neoliberal* has come to constitute a political statement.
- 5 There is another difficulty with defining the term: namely there are multiple schools in political economy which, while accepting the idea that they look for their inspiration in an older liberal tradition, do not all agree on the degree to which the Keynesian reformist liberalism that became the orthodoxy during the post-war consensus should be rejected. Which of these schools are neoliberal, and which are not? In short, at which point does an economist or politician deserve to be branded as a *neoliberal*? Few of these currents of thought would employ the term to describe their own convictions in political economy. Milton Friedman, for example, though widely categorized as a neoliberal by other specialists preferred to call himself a “true liberal.” In doing so, however, he was legitimating the definition proposed above. Hayek, Friedman and the Chicago School were consistent in their desire to turn their backs on the policies of the post-war consensus and they all find their reference point in what used to be called liberal in the 19<sup>th</sup> century before the liberal reformists had been obliged to respond to the socialist challenge. The liberal reformists were so successful in reorienting the regime that, in the

USA, the word *liberal* itself became synonymous with the reforms in favour of equal opportunity, reforms which required the state to take on a more active role. Neoliberals are those who prone a return to an older liberal tradition before it had been transformed by John Stuart Mill's insistence on the liberal regime's necessary commitment to the objective of individual fulfillment for all members of society, including those in the laboring classes. In short, neoliberal is necessary as a term because "liberal" has been usurped, at least in America, by the left-leaning liberal reformers.

- 6 This article reinforces Harvey's working thesis that behind the veil of a debate in political philosophy, neoliberals use their concept of governance in a very concrete form: they reestablish power to a wealthy ruling elite. Harvey expresses this clearly in the first chapter of his *Brief History*:

We can, therefore, interpret neoliberalization either as a utopian project to realize a theoretical design for the reorganization of international capitalism or as political project to re-establish the conditions for capital accumulation and to restore the power of economic elites. In what follows I shall argue that the second of these objectives has in practice dominated.<sup>4</sup>

- 7 Harvey presents the political philosophy, and the principles of management, that characterize neoliberalism as largely playing the role of legitimation and justification behind what remains the primary objective, namely "the restoration of class power."<sup>5</sup> While in agreement with Harvey's thesis, this paper hopes to innovate in two ways. First by establishing a clear genealogy in the history of ideas, the paper reveals that neoliberalism represents a return to an older tradition; it is reactionary rather than innovative. What's more, we will argue that, in finding their inspiration in the work of John Locke, neoliberals turn to a thinker whose *raison d'être* was the legitimation of class power. Secondly, the article hopes to debunk the newspeak usage of the term governance. Here governance, as used by neoliberals, will be presented, not as an innovative and efficient management technique, but instead as a means to impose unpopular decisions related to the dismantling of the welfare state, and to conceal the return of decision-making power to the capital holding bourgeoisie.

## Competing forms of liberalism

- 8 Neoliberalism is concerned with defending a particular vision with regard to the relationship between individuals and the state. Although Neoliberals would certainly not always agree with John Stuart Mill's conclusions, they are interested in the same central question presented in his major work *On Liberty*, namely defining "the nature and limits of the power which can be legitimately exercised by society over the individual."<sup>6</sup> The particularity of neoliberalism is found in how it defines "the nature and limits" of government, and to be more precise, in its commitment to the objective of drastically limiting governments' power to regulate. The principal justification invoked for this position is the claim that a governing body, by its very nature, constitutes a potential threat to individual freedom and must therefore be subject to strict limits. The second argument is the supposed increased efficiency of economies that function without government regulations. Left-leaning or reformist liberals – those who remain faithful to the interventionist policies of the New Deal and of the post-war consensus, and who are called "liberals" in common American usage – counter these arguments with the claim that government action is legitimate if it expands the scope of freedom for individuals. In

particular, government intervention, and government regulation in the economy are legitimate when they allow greater scope for “pursuing happiness,” in particular for those who otherwise would be restricted in their individual quest by poverty, discrimination or a lack of education. Both forms of liberalism are founded in methodological individualism, but they differ in their definition of freedom. If we use the distinction popularized by Isaiah Berlin in his seminal essay “Two Concepts of Liberty”, neoliberals adopt a strict definition of negative freedom, in which freedom is equated with an absence of constraints imposed on an individual by outside authorities. On the other hand, liberals in the common American usage accept to a certain degree the concept of positive freedom, which is defined as more than simply a theoretical lack of constraint; positive freedom requires giving people the *means* to exercise their free will. Negative freedom is often summarized as “freedom from” and is concerned with limiting the intrusive powers of representatives of the state on individuals; positive freedom on the other hand is usually given the shorthand “freedom to” and focuses on the freedom to act. In the positive freedom tradition the theoretical negative freedom in one’s private domain is considered insufficient; true freedom involves *exercising* one’s free will. Reformist liberals believe that creating the conditions which would allow each individual to have the means to exercise their free will requires collective action. They therefore find it legitimate to designate power to the state to achieve the objective of equal opportunity. Neoliberals, on the other hand, mock the positive freedom interpretation. They say that those who talk about “positive” freedom are in fact misusing the term. Berlin states their case well when he writes:

But nothing is gained by a confusion of terms. To avoid glaring inequality or widespread misery I am ready to sacrifice some, or all, of my freedom: I may do so willingly and freely; but it is freedom that I am giving up for the sake of justice or equality or the love of my fellow men.(...) Everything is what it is: liberty is liberty, not equality or fairness or justice or human happiness or a quiet conscience.<sup>7</sup>

- 9 Berlin, in his role of scholar and philosopher, tries to apply a strict definition of freedom, and questions whether the terminology of “positive freedom” is appropriate. However, he is sympathetic to the positive freedom tradition and recognizes that left-leaning liberals “believe, with good reason, that if individual liberty is an ultimate end for human beings, none should be deprived of it by others; least of all that some should enjoy it at the expense of others.”<sup>8</sup> While sharing Berlin’s view that the term is inappropriate, Friedrich Hayek, who can be considered as the principal architect of neoliberal model, does not share his respect for those coming out of this tradition. This can be seen in the following quote from his influential book *The Road to Serfdom*:

To allay these suspicions and to harness to its cart the strongest of all political motives - the craving for freedom - socialists began increasingly to make use of the promise of a “new freedom.” Socialism was to bring “economic freedom,” without which the political freedom already gained was “not worth having.” (...) The subtle change in meaning to which the word freedom was subjected in order that this argument should sound plausible is important. To the great apostles of political freedom, the word had meant freedom from coercion, freedom from the arbitrary power of other men. The new freedom promised, however, was to be freedom from necessity, release from the compulsion of the circumstances which inevitably limit the range of choice of all of us. (...) Freedom in this sense is, of course, merely another name for power or wealth. (...) The demand for the new freedom was thus only another name for the old demand for an equal distribution of wealth.<sup>9</sup>

- 10 Hayek refuses to accept the validity of a competing definition of freedom, and goes on to lambaste the positive freedom tradition as a deliberate misrepresentation by the socialist movement in order to attract support to its cause. Hayek was never tender with his political opponents. In his book *Law Liberty and Legislation*, he derided those who defended the cause of “social justice”, claiming the term was “intellectually disreputable, the mark of demagoguery or cheap journalism which responsible thinkers ought to be ashamed to use because, once its vacuity is recognized, its use is dishonest”<sup>10</sup> To sum up, neoliberals reject outright the principle of government intervention, even when noble objectives such as the expansion of the scope of freedom for all, or the establishment of social justice are invoked. For neoliberals, individual freedom is presented as the cornerstone value of the liberal regime; as such government action is illegitimate if it limits individual freedom in any way. Neoliberals therefore advocate reducing the role of government to its strict minimum; governments are constituted to deal with security questions, to ensure the rule of law and to provide an environment propitious to the accumulation of capital. This last function implies providing a stable money supply and protecting investment, but it may also require a strong military force to protect the stability of the free market.

## Governance in a neoliberal environment

- 11 As we have seen, defending individual freedom is used as a rallying cry by neoliberals to legitimate emasculating governing agencies. But this choice gives rise to an apparent dilemma, namely in the absence of a robust civil government, who exercises power and how is it exercised? What happens to the concept of *governance* in a state that has limited power to make decisions? The answer for neoliberals has been to vaunt the merits of self-regulating markets, and to suggest that markets function best when the regulatory powers of the state have been removed. The concept of self-regulating markets is central to neoliberalism, and it has been developed in detail by one of the central figures in this school of thought, Friedrich Hayek, in his concept of “spontaneous order.”<sup>11</sup> However, in spite of the erudition of Hayek, and the complexity of his models, in reality he innovates very little, and his source of inspiration can always be found by reaching back into an earlier liberal tradition. In this case, Hayek simply reworks Adam Smith’s well known concept of *the invisible hand*. This is true of most of the ideas defended by neoliberals. In fact what reunites the different strands of neoliberal thought is the choice to discard the evolution of liberalism since John Stuart Mill and to look for their inspiration in an earlier liberal tradition. The concept of governance is no exception to the rule. When there is a need to move beyond their unwavering faith in markets, and to respond pragmatically about the exercise of power, neoliberals rely on a rather nebulous concept they call “governance,” in which real authority is in the hands of those with capital. In this the neoliberals vindicate the work of C.B. Macpherson, who coined the term “possessive individualism” to describe the founding postulates of the liberal regime.<sup>12</sup> Macpherson’s work has been largely neglected over the past thirty years, but neoliberal theories of governance bring Macpherson back onto centre stage.
- 12 The question asked above was who exercises power in a neoliberal regime, that is to say in a regime which designates individual freedom as the cardinal value to be preserved, and which, as a result, functions by putting its faith in self-regulating markets. We have seen above that this type of governance gives no specific role to government to represent



the common interest; instead a variety of stakeholders bargain settlements. For neoliberals, governance is thus reduced to the role of managing conflict and organizing negotiation between stakeholders in a free market environment. This concept turns its back on the reformist liberalism that had characterized the post-war consensus. It renews ultimately with the centrality of property rights in John Locke's *Second Treatise of Government*. In Locke's age, and this would remain unquestioned until the mid-19<sup>th</sup> century, power was the appendage of those with capital. Contemporary neoliberals produce a similar state of affairs: by conceiving a new form of governance which resembles a free-market negotiation between actors, they in effect confiscate power and exclude all of those who have no personal capital at stake. In this type of regime characterized by self-regulating markets, participation in decision-making requires the person to be an economic actor. In other words, without capital there is no access to the locus of power.

- 13 In their conception of governance, the neoliberals take us back to a time before class-consciousness had begun to impose changes on the liberal regime. Locke is remembered for legitimating the Glorious Revolution, and later the American Revolution, by establishing the principle that the people retained ultimate power to overthrow a government that acted contrary to their wishes. This might lead us to conclude that Locke had a democratic vision, and hoped to establish a regime in which power was truly exercised by the people. But Locke was far from being concerned with widespread participation in the affairs of the Commonwealth. Locke's activities as a speculator in the slave trade, and as an investor in the Carolinas, where his writing was used to legitimate the conquest and the seizure of the lands held till then by indigenous peoples, should make us wary of his incentive. Locke was in fact most concerned with defending the Non-conformist bourgeoisie in the 17<sup>th</sup> century, the property-owning élite who desired to be protected from the potential tyranny of a powerful monarch who could seize property and limit religious freedom. Defending this group of Non-conformist landowners was the real objective in Locke's *Two Treatises of Government*, and in the wake of the Glorious Revolution, we can say he had achieved his goal: since that time the Monarchy has clearly been relegated to a subservient role with regards to Parliament. But at the time of Locke's writing, the Parliament was far from representing the "people": in 17<sup>th</sup> century England, the franchise and the right to sit as a Member of Parliament were strictly limited to the property-owning class. This was known as the freeholder franchise, which granted the right to vote to those who were owners of a freehold of land valued at 40 shillings a year.<sup>13</sup> Thus only a small percentage of the population had access to the English Parliament that vaunted its supremacy with regard to the Monarchy; Parliament represented the property-owning classes alone. The Glorious Revolution thus marks, not the beginning of a true democracy, but instead the advent of the English bourgeoisie. Locke's landed gentry have since been protected from "being subjected to the will or authority of any other man."<sup>14</sup> But this protection was certainly not obtained by members of the working class, some of whom continued to be excluded from participation in the political process well into the 20<sup>th</sup> century. Macpherson remarks on the slow rate of electoral reform, noting that "in the United Kingdom, as late as 1911, only 59% of adult males had the franchise, that is, had their names on the parliamentary electoral roll."<sup>15</sup> As for women, they were not granted the vote on an equal basis with men until 1920 in the USA, 1928 in the UK and 1945 in France.



14 Neoliberals in the 21st century have no desire to recreate the electoral conditions that prevailed in the 19<sup>th</sup> century, and to exclude most of the population from the franchise. And yet their model does indeed impose the power of a capital holding class. The trick they employ is to maintain the myth of democracy through regular elections, but to evacuate any real power from the hands of those elected. Because they theorize a regime of self-regulating markets without the need of government, elected officials become simply the agents who ensure the preservation of the rule of law, and the establishment of an environment in which negotiations can take place between competing agents. The question of power is evacuated completely and thrown behind the veil of the neutral market. In this they are again faithful to the father of liberalism, John Locke. Locke is renowned as a central thinker in founding the liberal regime, not only for legitimating the Glorious Revolution and affirming the supremacy of Parliament, but also due to his role in legitimating “the disproportionate and unequal possession of the earth”<sup>16</sup> and in legitimating the accumulation of capital via the specious argument that “gold and silver may be hoarded up without injury to anyone.”<sup>17</sup> It is in these last two achievements that Locke is most useful to contemporary neoliberals. His more noble defence of the ultimate sovereignty of the people to overthrow a tyrannical regime is of little use to Hayek’s followers. And it is not likely that proponents would see the neoliberal regime as representing a new form of tyranny, being convinced, in the tradition of Adam Smith, that through the functioning of the invisible hand of the market, the selfish actions of individuals produce beneficial results for the rest of the population.

## Conclusion

15 Neoliberalism can be seen as a reaction against the Keynesian reformist liberalism that had guided government policy-making during the post-war consensus in the West. Introduced into public policy by Margaret Thatcher in the UK and by Ronald Reagan in the USA in the 1980s, it has now become the dominant form of political economy in the world. Neoliberalism can be seen as a rejection of the whole trajectory of liberal thought undertaken since the mid-19<sup>th</sup> century, starting with the work of John Stuart Mill. The liberal regime, confronted with the threat of class-consciousness, had decided to put its focus on the objective of individual self-realization. This led reformist liberals to believe that it was legitimate to use the power of the state to try to achieve the objective of equal opportunity. Neoliberalism broke away from these initiatives by returning to an earlier liberal tradition that insisted on limited government and self-regulating markets. In the process, neoliberals also reinstated the power relationships that had existed in the 19th century and before: the capital holding classes regained the power that they had been sharing with the elected leaders of the welfare state. The concept of governance came to prominence at the same time as the rise of neoliberalism and this was no accident. Governance as practiced by the neoliberal state reproduces a market model for decision-making. Governments become one actor among many, thereby abandoning their reformist liberal role of imposing limits on the capital-holding class, and of representing the general interest, notably as the advocate of equal opportunity. Governance and neoliberalism can be seen as two sides of the same coin: they both contribute to placing power squarely in the hands of those with capital.

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## NOTES

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17. *Ibid.*

## ABSTRACTS

Neoliberalism, which has become the dominant current in political economy in western liberal democracies, presents itself in opposition to the reformist liberalism of the post-war consensus. The two streams of liberalism are both founded in methodological individualism, but neoliberalism breaks away from its counterpart through its commitment to limited government and through its belief in the inherent value of self-regulating markets. This does not represent an innovation, but instead should be seen as a return to an older liberal tradition. This paper will argue that the concept of governance as defined and put into practice by contemporary western governments meshes perfectly with the key tenets of neoliberalism. By advocating a method of management based on placing a variety of actors in competition, not only does it produce a model reminiscent of the free market, but it also contributes to the neoliberal objective of placing power squarely in the hands of those with capital.

Le néolibéralisme, devenu le courant prédominant en économie politique dans le monde occidental contemporain, s'oppose au modèle libéral réformiste qui a dominé les trente glorieuses. Les deux modèles se fondent sur une méthodologie individualiste, pour laquelle la société est conçue comme étant composée d'individus atomisés en concurrence les uns avec les autres. A partir de cette base, les défenseurs du néolibéralisme se distinguent du fait qu'ils prônent un Etat résolument non-interventionniste, et considèrent que le marché libre s'autorégule de façon naturelle. Ces convictions ne sont pas des innovations, mais elles constituent un retour vers une tradition libérale antérieure. Cet article s'intéresse au concept de gouvernance tel qu'il est défini et pratiqué par les gouvernements occidentaux contemporains ; il avance que ce concept est en parfaite adéquation avec les principes néolibéraux. En prônant un modèle de gestion qui place un ensemble d'agents en concurrence, non seulement la gouvernance produit un modèle calqué sur celui du marché libre, mais il contribue à remettre le pouvoir entre les mains de ceux qui détiennent le capital.

## INDEX

**Mots-clés:** Néolibéralisme, Gouvernance, Locke, Libéralisme, Pouvoir

**Keywords:** Neoliberal, Governance, Locke, liberalism, Power

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