

THE JOURNAL OF
PHILOSOPHICAL ECONOMICS

Volume VII Issue 1 Autumn 2013

ISSN 1843-2298

Copyright note:

This is an open access e-journal which means that all content is freely available without charge to the user or his/her institution. Users are allowed to read, download, copy, distribute, print, search, or link to the full texts of the articles in this journal without asking prior permission from the publisher or the author provided acknowledgement is given to the original source of publication.



Review of Resilient Liberalism in Europe's Political Economy, edited by Vivien A. Schmidt and Mark Thatcher, New York, Cambridge University Press, 2013, 469 pp., \$32.99, ISBN 9781107613973

Chantel F. Pheiffer



Review of *Resilient Liberalism in Europe's Political Economy*, edited by Vivien A. Schmidt and Mark Thatcher, New York, Cambridge University Press, 2013, 469 pp., \$32.99, ISBN 9781107613973

Chantel F. Pheiffer

When the financial crisis hit the United States in September 2008, and subsequently reverberated through Europe, there seemed to be a moment of doubt in neo-liberalism as a set of ideas governing our political and economic world order. The Keynesian Moment in which media and economists alike echoed Milton's adage, "We are all Keynesians now" suggested that neo-liberalism was in crisis and teetering in the position of dominance it has firmly held in our hearts and minds since the 1980s. The moment of doubt was fleeting however and passed, not quite as quickly as it had arrived, but it passed nonetheless. There was no regime change to speak of. How do we explain the continued dominance of a set of ideas apparently responsible for the largest financial crisis since the Great Depression? Surely, we would have reconsidered our devotion to neo-liberalism, as we had done with classical liberalism after the Great Depression?

Resilient Liberalism begins to unpack the resilience, continuity, and dominance of neo-liberalism as a governing set of economic ideas specifically in Europe and the EU. Taking as their definition of neo-liberalism "belief in competitive markets enhanced by global free trade and capital mobility, backed up by a pro-market limited state that promotes labour-market flexibility and seeks to reduce welfare dependence while marketizing the provision of public goods" (p.6), Schmidt et al. take as their point of departure that ideas matter to policy and political processes. Throughout the multi-author 14-chapter volume, the contributors frame their

analysis around the concept of resilience to theorize the continuity of neo-liberalism over time despite internal contradictions and external challenges.

Fundamental to this comprehensive analysis is Schmidt et al.'s acceptance of neo-liberalism as set of core, but very general, ideas that can accommodate a multitude of variations but remain fundamentally neo-liberal. Ordo-liberalism (Chapter 4) and liberal neo-welfarism (Chapter 3) are variations distinct from the broad, given definition, but these forms contain principles sufficient (although not all necessary) to be classified as neo-liberalism. Those who prefer a more narrow definition might find themselves at odds with this particular line of argument, but a significant degree of vagueness here is required to explain in great part the adaptability of neo-liberalism to a variety of economic and political situations.

Schmidt et al. provide five theories for the persistence of neo-liberalism in Europe: the first is its ideational generality that permits adaptability. The second, and perhaps most compelling, is the space that exists between the rhetoric and the reality of neo-liberalism, allowing it to embrace and even turn on its head external criticism. An important example of this is the way in which profligate state behavior came to be blamed for much of the financial crisis in Europe, rather than the unfettered deregulation of international capital markets. The third is the relative strength of neo-liberal ideas in policy and politics, and the fourth is an interest-based argument where the winners of neo-liberalism have captured important influence. The final theory is an institutional one: institutions essential to the success of Europe continue to internalize and advocate neo-liberal ideas.

The book is divided into three sections that discuss these five lines of analyses from a variety of perspectives. Part I is concerned primarily with the way in which neo-liberalism relates to the state. Maurizio Ferrera describes in Chapter 3 what he calls liberal neo-welfarism and argues that it is not so much neo-liberalism that is resilient as it is the ideas embedded in *liberalissimo*. Part II contains contributions that consider the role of neo-liberal ideas in policy debates about issues such as the euro, financial markets and regulation, labour markets, and economic governance. In Chapter 7, for example, Daniel Mügge considers whether macroprudential regulation challenges or supports neo-liberalism while Sigurt Vitols in Chapter 9 outlines why it is that Europe is likely to continue to have a neo-liberal corporate governance regime. Part III takes on comparative case studies of neo-liberalism in Europe: Hay and Smith discuss the UK and Ireland (Chapter 10) and the four subsequent chapters consider cases on the continent that include Germany and Sweden (Schnyder and Jackson, Chapter 11), Italy and France (Gualmini and

Schmidt, Chapter 12) and Central and Eastern Europe (Mitchell Orenstein, Chapter 12). Part V provides some conclusion and suggestions for pathways out of a neo-liberal paradigm.

While discussing the overall resilience of neo-liberalism within the framework outlined above, the editors remind us that neo-liberalism took quite some time to dominate, the majority of the 1970s in fact. It may also take time for Europe to transition out of a political economy that has for thirty years been dominated by this school of thought. Neo-liberalism in Europe currently is "muddling through" and it may simply be too soon to tell whether it is in crisis as a result of events that have unfolded post-financial crisis. We might still indeed see a paradigm shift. Apparent at this moment, however, is that while some states are rolling back programs with neo-liberal rationale, nothing has replaced neo-liberalism as the framework by which we conduct political and policy processes in Europe. More time must pass in order to know whether neo-liberalism has, in fact, weathered this particular storm and if neo-liberalism has proven to be once again resilient. Upon conclusion one cannot help but wonder whether the authors believe neo-liberalism to be unique in the five ways suggested by the five lines of analyses, or whether Europe is simply under construction waiting for a new broad, contradictory set of ideas to capture its institutions and powerful lobbies. A longer view of history does after all suggest change is inevitable.

Resilient Liberalism in Europe's Political Economy is a valuable contribution to the political science literature that might just help us understand why it is that neo-liberalism continues to rein supreme, even if contested as Schmidt et al. point out, when all logic suggests it should have fallen out of favour with the onset of the Great Recession. Individually the five lines of analyses are simple arguments, but together they provide a compelling framework to understand the place neo-liberalism continues to hold in not only the political economy of Europe, but also in other economic centres such as the United States.

Chantel F. Pheiffer is an MA Candidate in Global Development Policy, Boston University (USA) (cpheiffe@bu.edu)