

Introduction

The Gods That Failed

The bad news:
Dreams don't come true
The worse news:
Yours might¹

Why has Great Britain, historically one of the strongest democracies in the world, become so unstable? What changed? This book demonstrates that a major part of the answer lies in the transformation of its state. It shows how Britain championed radical economic liberalisation only to weaken and ultimately break its own governing institutions. This history has direct parallels not just in the United States but across all the advanced capitalist economies that adopted neoliberal reforms. The shattering of the British state over the last forty years was driven by the idea that markets are always more efficient than the state: the private sector morally and functionally superior to the public sector. But as this book shows, this claim was ill-founded, based as it was on the most abstract materialist utopia of the twentieth century. The neoliberal revolution in Great Britain and Northern Ireland – the United Kingdom – has failed accordingly, and we are living with the systemic consequences of that failure.

The rise of nationalist populism in some of the world's richest countries has brought forward many urgent analyses of contemporary capitalism. What this book offers, by contrast, is the explanation of a dark historical joke. It explores for the first time how the Leninist and neoliberal revolutions fail for many of the same reasons. Leninism and neoliberalism may have been utterly opposed in their political values, but when we grasp the kinship between their forms of economic argument and their practical strategies for government, we may better

¹ Eric Jarosinski, *Nein: A Manifesto* (Melbourne: Text Publishing, 2015), p. 42.

understand the causes of state failure in both systems, as well as their calamitous results.

Britain's neoliberal policies have their roots in neoclassical economics, and Part I begins by comparing the neoclassical and Soviet economic utopias. What emerges are mirror images – two visions of a perfectly efficient economy and an essentially stateless future. These affinities are rooted in their common dependence on a machine model of the political economy and hence, by necessity, the shared adoption of a hyper-rational conception of human motivation: a perfect utilitarian rationality versus a perfect social rationality. As the later policy chapters demonstrate, these theoretical similarities produce real institutional effects: a clear institutional isomorphism between neoliberal systems of government and Soviet central planning.

When it comes to the mechanics of government, both systems justify a near identical methodology of quantification, forecasting, target setting and output-planning, albeit administrative and service output-planning in the neoliberal case and economy-wide outputs in the Soviet. Since the world in practice is dynamic and synergistic, however, it follows that the state's increasing reliance on methods that presume rational calculation within an unvarying underlying universal order can only lead to a continuous misfit between governmental theory and reality. These techniques will tend to fail around any task characterised by uncertainty, intricacy, interdependence and evolution, which are precisely the qualities of most of the tasks uploaded to the modern democratic state.

The Soviet and neoliberal conceptions of the political economy as a mechanism ruled by predetermined laws of economic behaviour were used to promote pure systems of economic coordination, be that by the state or the market. Leninism, as it evolved into Stalinist command planning, dictated the near-complete subordination of markets to the central plan. In neoliberalism, the state has been more gradually stripped of its capacity for economic government and, over time, for prudential, strategic action, as its offices, authority and revenues are subordinated to market-like mechanisms. Both Soviet and neoliberal political elites proved wildly over-optimistic about the integrity of their doctrines, even as they demonised the alternatives.

For all their political antipathy, what binds Leninists and neoliberals together is their shared fantasy of an infallible 'governing science' – of scientific management writ large. The result is that Britain has

reproduced Soviet governmental failures, only now in capitalist form. When we understand the isomorphism between Soviet and neoliberal statecraft, we can see more clearly why their states share pathologies that span from administrative rigidity to rising costs, from rent-seeking enterprises to corporate state capture, from their flawed analytical monocultures to the demoralisation of the state's personnel and, ultimately, a crisis in the legitimacy of the governing system itself. This time around, however, the crisis is of liberal democracy.

After setting out the philosophical foundations of these ideologies, the book's policy chapters in Part II explore how the neoliberal revolution has transformed the British state's core functions in the political economy: in administration, welfare, tax and regulation and the management of future public risk. In Part III I examine the political consequences of these changes, and demonstrate how Britain's exit from the European Union has played out as an institutionally fatal confrontation between economic libertarianism and reality. The final chapter considers how the neoliberal revolution, like its Leninist counterpart, has failed within the terms by which it was justified and instead induced a profound crisis not only of political and economic development but also of political culture.

I use different periods of Soviet history as an analytical benchmark throughout the book, but the Brezhnev years (1964–1982) were those of the fullest systemic entropy: the period of ossification, self-dealing and directionless political churn. Under 'late' neoliberalism we can see a similar moment of political hiatus, as neoliberal governments likewise resort to nationalism and the politics of cultural reaction to forestall public disillusionment and a shift in paradigm. I use the United Kingdom as the case study because it was both a pioneer of these reforms and, in many respects, has gone furthest with them. If neoliberalism as a doctrine had been analytically well-founded, it was in the United Kingdom, with its comparatively long and strong liberal traditions, that we should have seen its most positive outcomes.

To be clear, Britain's neoliberals were never totalitarians of the Soviet variety. They never used revolutionary violence to create a one-party state, deployed ubiquitous intelligence agencies to enforce repression or used systems of mass incarceration and murder for political ends. Britain's neoliberal consensus has nevertheless favoured a one-doctrine state, and the violent suppression of specific, typically economy-related, protests has been a periodic feature of its

politics since 1979. Britain's neoliberal governments have also developed an increasingly callous attitude to social hardship and suffering. Most troubling of all is that the more neoliberalism has been implemented, the more the country has been driven to the end of its democratic road. By the early 2020s the Conservative government of Boris Johnson had sought to criminalise peaceful protest, to constrain media independence and to insulate the political executive from parliamentary and public scrutiny. In short, it had abused its authority to disable legitimate political opposition. What I hope to explain is why any regime that commits itself to neoliberal economics must travel in this direction or abandon this ideology.

What follows is an argument about the collapse of the empiricist political centre and its replacement by utopian radicalism. Specifically, this is a story of how the pioneering and socially progressive philosophy of liberalism is being discredited by utopian economics and the practically clientelist methods of government that follow from it, just as the politics of social solidarity essential to a civilised world was undermined by the violence and corruption of the Soviet experiment. As the old Soviet joke had it, 'Capitalism is the exploitation of man by man. Communism is its exact opposite.' There are, of course, many challenges distinct to neoliberalism and I pay attention to them, but my purpose here is to see what we can learn about the political economy of the neoliberal state when we look at it through the lens of comparative materialist utopias.

Critical Realism

Part I of the book begins with an analysis of the Soviet and neoclassical economic conceptions of reality and the methods they chose to understand it. My purpose here is to explain why the forms of justification used are so problematic as a basis for government strategies in any system, but most particularly in a democracy. To do this transparently, however, I must begin by setting out my own philosophical assumptions about the nature of reality (the problem of ontology) and what any of us can reasonably claim to know about it (the problem of epistemology).

All theories about the social world inescapably have their own philosophical underpinnings. It follows that the most important decision any government or social scientist makes at the start of their analysis

is how they conceptualise the world they think they are in. The foundations of my argument are ‘critical realist’,² and what distinguishes a critical realist account is an explicit interest in how a given theory, or body of beliefs, conceives of the nature and structure of social reality, the forms of justification it uses in its claims ‘to know’ a particular thing and the reasonableness of those beliefs, given the limits we face in acquiring knowledge.³

Some background may be helpful here. Critical realism emerged in the 1970s in response to an extreme pendulum swing in the philosophy of knowledge. In research that transformed conventional ‘positivist’ understandings of scientific progress, Thomas Kuhn had demonstrated in the early 1960s that as a matter of historical fact scientific progress had not developed in a nice straight line. Kuhn showed that reality has not unfolded itself to us like the pages of a Book of Truth: as something we can simply read to answer our inquiries. He demonstrated that scientific knowledge has moved instead through periods of conformity to existing theories and assumptions, followed by episodes of rapid and revolutionary disagreement and change. Anomalies and new insights confronted those theories, fuelled their critical contradiction and built towards periodic ‘paradigm shifts’ in how we understood the world around us. These new paradigms had gone on to create new questions for further research, and so it continues.⁴

In reaction, the philosophical debate about what we can know veered rather drastically from the ‘naïve empiricism’ that Kuhn had just refuted towards arguments for a humanistic philosophical pragmatism, or, to its critics, ‘relativism’. Thus, for example, the philosopher of mind Richard Rorty suggested that there is no objective reality at all outside of the forms we construct in language. In this view, it is a fool’s errand to search for general knowledge or general truth, as distinct from realities that we apprehend purely through our mental constructions.⁵ This interpretivist approach said, ‘we cannot establish

² Roy Bhaskar, *A Realist Theory of Science* (Hassocks: Harvester Press, 1978).

³ Roy Bhaskar, *The Possibility of Naturalism: A Philosophical Critique of the Contemporary Human Sciences* (Hassocks: Harvester Press, 1989).

⁴ Thomas Kuhn, *The Structure of Scientific Revolutions* (Chicago: University of Chicago Press, 1962).

⁵ Berth Danermark, Mats Ekström, Liselotte Jakobsen, Jan Ch. Karlsson and Roy Bhaskar, *Explaining Society: Critical Realism in the Social Sciences* (New York and London: Taylor and Francis, 2001), pp. 16–17.

anything definitively'. Physicists or economists might search for eternal verities, but they are essentially theatre critics, absorbed in the narrative performances that interest them most. As Rorty concluded, "True" resembles... a compliment paid to sentences that seem to be paying their way and that fit in with other sentences which are doing so.⁶ His apparent intention was to radically 'de-divinise' the world so that, no longer justifying our actions and conflicts through some supposed Truth beyond ourselves, we might focus instead on imagining the solutions to our common problems and so learn to describe our relationships to each other and our environments more harmoniously.⁷

As a way out of this polarisation between an over-optimistic positivism and this notably humanistic but radically destabilising interpretivism, critical realists stepped in and observed that some forms of knowledge are demonstrably more reliable than others. They further noted that relative reliability is more characteristic of the natural than the social sciences. To take just one compelling example, the accuracy of weather forecasts within short time frames has improved significantly as the quality and quantity of observations have increased, along with the computing power to manage them. Financial forecasts in the meantime have repeatedly failed to anticipate imminent financial losses, let alone the rising frequency and intensity of financial crises since the 1970s, those same increases in computational sophistication notwithstanding.

To help explain this contrast, critical realists observed that all science, both natural and social, is socially defined. We cannot transcend the history of our own curiosity to gain unmediated access to the 'world-as-it-really-is'.⁸ But they also drew attention to the fact that to acquire useable knowledge we need to know the mechanisms that produced the empirical events we are observing, and those underlying generative mechanisms are often harder to discover in the social world, as distinct from the natural, physical world. This is because

⁶ Richard Rorty, *Consequences of Pragmatism: Essays, 1972–1980* (Minneapolis: University of Minnesota Press, 1982), p. 13.

⁷ Peter Reason, 'Pragmatist Philosophy and Action Research: Readings and Conversations with Richard Rorty', *Action Research* 1 (1) (2003): 103–123, pp. 105–109.

⁸ Richard Bronk and Wade Jacoby, 'Uncertainty and the Dangers of Monocultures in Regulation, Analysis and Practice', MPlfG Discussion Paper 16/6 (2016), pp. 11–12.

it is often harder to isolate specific causative factors in society from other unstable but highly interdependent factors, and the outcomes are rarely stable in themselves.⁹

To elaborate on both points, critical realism has its roots in Kantian epistemology, as indeed does Kuhn's work on the scientific revolutions.¹⁰ It has been widely accepted since Immanuel Kant that we have no choice but to interpret the world in ways that are structured by our operating concepts, and this is as true for the natural as for the social sciences. There is no Archimedean point where we can stand to observe the entire universe of causal mechanisms that led to a given situation. The facts we discover are framed by the theories we construct and apply.¹¹ This is not to say that we know nothing but to accept that all knowledge, including all science, is contingent on the frameworks of interpretation we have already developed. Even in today's data-rich world, the data analyst is inescapably like Narcissus who, confronted with a pool of information, is also transfixed by their own reflection.

Why is it often harder for the social sciences to identify causation than it is for the natural sciences? As critical realists point out, the causal mechanisms at work in the social world tend to be less stable and less open to analytical isolation than many phenomena in the natural world. Roy Bhaskar drew a valuable distinction between the intransitive objects of knowledge that don't depend on human activity, such as death, and transitive phenomena that are the 'artificial objects fashioned into items of knowledge by the science of the day',¹² such as taxes. This distinction helps us understand why the natural sciences, with their greater focus on the intransitive, manage more often to repeat experiments around underlying causal factors and confirm their findings in diverse environments, even, in some realms, to establish robust 'general laws', for example, around gravity, or thermodynamics, or chemical compounds. Such findings have created relatively secure foundations for further discovery in particular fields, not least around changes in weather patterns and climate

⁹ Danermark et al., *Explaining Society*, p. 87.

¹⁰ Tony Lawson, 'A Realist Theory for Economics', in R. E. Backhouse, *New Directions in Economic Methodology* (London: Routledge, 1994): 257–286, p. 271.

¹¹ Danermark et al., *Explaining Society*, pp. 5, 31.

¹² Roy Bhaskar, *A Realist Theory of Science: With a New Introduction* (London: Routledge, 2008), p. 11.

change more broadly. By contrast, while social scientists can productively look for the causal relationships behind trends and events, they must struggle to transcend the dynamic contingencies of social reality. This leads critical realists to emphasise the fact that while the social world is demonstrably structured, differentiated and stratified it is also *changing*.¹³

One of the key implications of this observation is that we can lay claims to predict outcomes only in essentially closed systems, where generative mechanisms can operate under conditions of isolation and independent of other mechanisms and/or where there are ‘natural laws’ in operation with demonstrably consistent effects.¹⁴ It is only in such environments that we can reasonably hope to account for the causal mechanisms at work to the point of prediction, and such environments are peculiarly hard to find in the social world.

Short of being actively poked by an analytical stick, the objects of study in the natural sciences tend to be indifferent to our investigation. By contrast, the objects of study in social science are constantly manifesting, reviewing and reinventing the terrain the social scientist is trying to understand. Social scientists themselves are part of that constant process of social ‘becoming’. Thus, where the objects of study for the natural science researcher are *naturally* produced but socially defined, the objects of study for the social analyst are thus both *socially* produced and socially defined.¹⁵ Economists, political scientists and sociologists are consequently interpreting a world full of people who are themselves constantly interpreting the world.¹⁶ As individuals within communities, we adapt our behaviour based on those frames of interpretation, and in our evermore informationally connected world these frames emerge from a huge variety of sources. These include political ideologies, religious and other cultural narratives and, of course, the sciences. We all act interdependently, and we do this at the individual, collective and institutional level, even as we try to generate a purely personal understanding of our own, unique, existence. For the social scientist, as for governments, this produces an inalienable problem of causal instability, not to mention an entirely understandable desire to

¹³ Danermark et al., *Explaining Society*, pp. 16–17.

¹⁴ *Ibid.*, pp. 205–206. ¹⁵ *Ibid.*, p. 16.

¹⁶ Richard Bronk, *The Romantic Economist: Imagination in Economics* (Cambridge: Cambridge University Press, 2009), pp. 263–264.

make it all go away by deciding that a given thinker, or a given ideology, has hit upon the definitive answer, so that we can exchange an exhausting curiosity for a more relaxing conviction.

Critical realists consequently understand knowledge as neither wholly objective nor subjective but as the result of interaction between subject and object, and when that object is other people, the grounds for certainty are narrowed.¹⁷ These insights form a key working assumption for this book's argument, and they are highly consequential for anyone who claims to have discovered 'the' science of government. They warn us, to take just one example, that it is analytically treacherous to fixate on a single account of the 'real' nature of human motivation. From the critical realist perspective, analytical and normative frames, cultural practices and emotional interactions will alter our motivation, often significantly and unpredictably. It follows that even if we were to encounter consistent motivational properties at the individual level of behaviour in a controlled environment, we could hardly rely on their constancy when the individual steps outside into the evolving social world. The same is obviously true in reverse: to draw inferences about individual motivation from mass behaviour is equally fraught.

To admit all this, however, is emphatically not to say that the social sciences are useless. Reasoned comparison and triangulation can produce practical knowledge about distinctive trends within our complex reality. To revisit that point about death and taxes, the consequences of certain forms of social pressure have proved remarkably consistent over time and across cultures. It is a consistent social fact, for example, that social inequality causes disparities in mortality, morbidity and life chances in every society with high and even moderate income inequality, as confirmed by centuries of observation. The causes and character of that inequality have evolved, however. Policies and technologies change, and as a result, so do the underlying causes of social harm. You may fix one source of damaging human exploitation only for new sources of exploitation to emerge. What all this implies is that the story of social causes and effects cannot simply be solved once and for all. At best, as Richard Bronk points out, when it comes to the

¹⁷ James D. Proctor, 'The Social Construction of Nature: Relativist Accusations, Pragmatist and Critical Realist Responses', *Annals of the Association of American Geographers* 88 (3) (September 1998): 352–376, p. 361.

political economy, all economic models and all paradigms are ‘fragments in the search of a unified understanding...they create an ordered vision that is complete and systematic in one sense, while necessarily partial and provisional in other respects... They cannot provide us with a complete vision; and the tendencies they reveal are abstracted from complicating factors’.¹⁸ To analyse the political economy, let alone to govern it, is consequently an exercise that begs for analytical humility and analytical pluralism,¹⁹ at least for any government that claims to govern in the public interest.

Why are social environments quite so changeable? It is not just that we are constantly dealing with interpretation, reinterpretation and error, it is also that we are imaginative and tend to act upon it. We consequently live in a world of ‘ontological indeterminacy’.²⁰ New ideas, radical policy reforms, technological innovations, changing preferences and emergent novelty in complex systems guarantee that the future cannot be like the past.²¹ We all consequently face what Frank Knight called ‘uncertainty’ rather than measurable ‘risk’.²² None of us can know how the future will differ from the past, not just because we can’t know definitively how we got to the present but because every time we apply our imaginations, or someone has a new response to a given stimulus, the future is going to be different anyway.²³ Innovation and novelty imply a break with past regularities, and this creates inescapable barriers to complete knowledge of the future. As George Shackle put it, ‘What does not yet exist cannot now be known.’²⁴ The novelty, and hence uncertainty, implied by one innovation is compounded by the fact that we cannot know what the creative reactions of others to the new situation will be.²⁵

The combination of epistemological uncertainty, dynamic interdependence and ontological indeterminacy carries devastating consequences

¹⁸ Bronk, *The Romantic Economist*, pp. 292–293. ¹⁹ *Ibid.*, p. 11.

²⁰ Bronk and Jacoby, ‘Uncertainty and the Dangers of Monocultures’, pp. 8–11.

²¹ Richard Bronk, ‘Epistemological Difficulties with Neo-classical Economics’, Southern Economic Association Conference Paper, 19–21 November 2011, Washington, DC, p. 7.

²² Frank Knight, *Risk, Uncertainty and Profit* (Boston: Houghton Mifflin, 1921).

²³ Bronk, ‘Epistemological Difficulties’, pp. 8, 14.

²⁴ George Shackle, *Epistemics and Economics: A Critique of Economic Doctrines* (New Brunswick: Transaction Publishers, 1992), p. 3.

²⁵ Jens Beckert and Richard Bronk, *Uncertain Futures: Imagination, Narratives and Calculation in the Economy* (Oxford: Oxford University Press, 2018), p. 6.