

UNIVERSITY OF COPENHAGEN  
FACULTY OF SOCIAL SCIENCES



# ECONOMIC THEORY, POLITICS AND THE STATE IN THE NEOLIBERAL EPOCH

PhD Dissertation 2018

Rune Møller Stahl



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STATE IN THE NEOLIBERAL EPOCH

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# THESIS FRAMEWORK

## 1. INTRODUCTION

- *Economic science' is the arena and the prize of history's great political battles.*
  - o Louis Althusser - *Reading Capital* 1966
- *I don't care who writes a nation's laws, or crafts its advanced treaties—if I can write its economics textbooks*
  - o Paul Samuelson, “Foreword,” in *The Principles of Economics Course*, (1990)

In the decade since the 2008 financial crisis, the literature on economic ideas has exploded in the popular and academic fields, as the aura of inevitability around the dominant economic common sense crumbled along with the balance sheets of the leading financial houses of the global financial system. Despite the loss of credibility and legitimacy of the ruling paradigm of liberal neoclassical economics and the growing criticism from a range of perspectives, where even the IMF recently published a report titled “Neoliberalism: Oversold?” (Ostry, Loungani, & Furceri, 2016)”, relatively little has changed in the way economics is taught at universities or how macroeconomic policy is conducted and analysed in finance ministries or central banks across the world.

Clearly, a standard view of scientific development based on the falsification of bad theories has a hard time explaining the persistence of “zombie ideas” in the post-crisis world (Quiggin, 2010). Economic ideas play a central role in the governance of modern societies and in the structuring of the boundaries of political discussions of possible futures. Economic science, and especially macroeconomics, is therefore in its very nature a political endeavour. Perhaps no other field sees such a tight integration between political and scientific developments. But the leading heterodox explanations of the development of economic ideas have also come up wanting. The history of the 20<sup>th</sup> century had previously taught us that times of economic crisis were times of economic uncertainty, where old

paradigms and ideologies crumble, and new paradigms are built or rise from obscurity to become the new dominant consensus. Such was the case of Keynesianism in the wake of the Great Depression and the Second World War, and similarly with neoliberalism in the wake of the economic turbulence of the 1970s. But “The strange non-death of neoliberalism” (Crouch, 2011), that has followed the financial crisis of 2008, shows that ideological falsification of economic orthodoxy might be a necessary ingredient in the making of an economic paradigm shift, but it is not sufficient on its own. Some other component must be currently missing for the formation of a new hegemonic paradigm.

What seems to be lacking in the post-2008 world, as opposed to the situation in the 1970s or the aftermath of the Great Depression, is the existence of sufficient backing for a new paradigm among social forces, with sufficient power to push through the kind of deep-seated ideological change that is involved in a wholesale shift in economic paradigms. This insight not only has significance for the post-2008 world, but also for the understanding of the rise of neoliberalism as a hegemonic ideology, and the political role of economic ideas more generally.

It is in the light of this situation that this thesis tries to develop and apply a materialist approach, which takes seriously the power and significance of economic ideas, but at the same time recognises their embeddedness in broader economic and institutional contexts, and the complex interplay between states, social forces, ideas and political actors. There are two main implications of this materialist approach to economic ideas. The first is an ontological understanding of ideas as embedded in material relations of power. The second is an epistemological assumption that an understanding of economic ideas needs to be part of a larger theory of capitalism. The first implication leads to an acute focus on specific actors as carriers and disseminators of ideas, and the second implication leads to a theoretical understanding that systems of economic ideas need to fulfil certain functions if they are to become hegemonic in modern capitalist societies.

## **1.1 What sort of beast is this thesis?**

Well, it is a sprawling creature spreading its tentacles across several genres, methods, disciplines and even historical epochs. As such, there is no single overarching framework, but rather a set of individual articles that can all be seen as interventions, theoretical or empirical, into the debate on the relationship between economic ideas and neoliberalism. The exact format of the thesis, and the relation of the individual papers, will be covered in the following section, so here I will merely outline the purpose and structure of this framework. As the thesis is made up of standalone articles and papers, it does not present a standard research framework with a literature review as well as methods and theory sections. Instead, most of this is dealt with in the individual papers.

The aim of the framework is rather to provide an umbrella for the approaches and topics of the individual papers, to draw out some of the common themes and questions that link the individual papers and have guided the research process through the writing of the thesis.

This will be done by first outlining the format and scholarly aims of the thesis and the individual papers in section 2, before situating the thesis in the broader literature on economic ideas and political economy in section 3. Section 4 outlines the overall theoretical framework and section 5 offers some methodological reflections on the differing methods and approaches used in the papers, before section 6 summarises some of the main contributions of the thesis.