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# Neoliberalism and Right-wing Populism

## Conceptual Analogies*

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**Abstract**

The paper compares neoliberal market-fundamentalism and right-wing populism on the basis of its core patterns of thinking and reasoning. Hence we offer an analysis of the work of important founders of market-fundamental economic thinking (particularly von Mises) and an established definition of populism (demonstrated by the example of arguments brought forward by leading populists, like Trump). In doing so, we highlight conceptual resemblances of these two approaches: Both assume a dually divided world that is split into only two countervailing parts. Right- wing populism shows a society split into two groups, fighting against each other. In a similar vein, neoliberal market-fundamentalists argue that there are only two possible countervailing economic and societal orders. We argue that the categorical analogies between neoliberal market-fundamentalism and right-wing populism could provide the basis for a new form of authoritarian neoliberalism.

Keywords: right-wing populism, market-fundamentalism, Ludwig von Mises, Donald Trump, patterns of thinking

JEL categories: A11, A12, A14, B25, B31, B41

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# 1 Introduction

During the election campaign and also in the first year of his presidency Donald Trump is regularly labeled as a populist and furthermore as a threat to international trade agreements, such as TTIP or NAFTA. Trump's populist "America First" doctrine seems to oppose neoliberal globalization and the Washington Consensus. Trump aims to re-establish the priority of the national state against the globalized economy in order to get rid of what Friedman (1999) called the "Golden Straightjacket" for economic policy.

But this is just one side of Trump's economic policy. While on the one hand particularly in the field of trade policies Trump seems to be in favor of protectionist economic policies, on the other hand he follows or even pushes further neoliberal reform agendas initiated before the Global Financial Crisis and even enhances the state-finance nexus. Trump announced and partly yet introduced tax cuts for corporations and high-income earners, de-regulative policies in the banking and financial service. In this respect, Trump explicitly pursues the neoliberal agenda of Reagan and Bush or as Daly (2017, 86) denotes Trumpism can be seen as "an unrestrained commitment to growth" and deregulated markets. The Trump administration is dominated by former top managers in the banking and financial service sector, directly influenced by neoliberal think tanks such as the Heritage Foundation or the Charles Koch Foundation (Skocpol/Hertel-Fernandez 2016) and is on a personal level by far the richest in the history of the US. Nevertheless, Trump and in a similar vein yet the Tea Party movement were successful in addressing the feelings of the former privileged middle classes, now confronted with the fear of downward social mobility (Hochschild 2016).

In this paper we use a common definition of populism as a starting point in order to analyze Trump's populism and highlight some conceptual analogies to neoliberal or as it should be more precisely called *market-fundamental* reasoning. According to Mudde, populism is the ideology of a divided world:

> „I define populism as an ideology that considers society to be ultimately separated into two homogeneous and antagonistic groups, 'the pure people' versus 'the corrupt elite', and which argues that politics should be an expression of the volonté générale (general will) of the people" (Mudde 2004, 543).

Following Mudde, populism hence consists of four main attributes:

1. It is based on the central image of a system divided into two separated parts.
2. Both parts are homogeneous. Every part has its distinct attributes.
3. Every part exhibits an own (homogeneous) force. Both forces are antagonistic.

4. Every part is used in very different, polysemous meanings.

In this paper we want to show that these four attributes can be shown on the one hand in right-wing populism (e.g. for Donald Trump and some European politicians) and on the other hand in different varieties of neoliberalism (e.g. for Ludwig von Mises, Friedrich Hayek and German ordoliberals). Hence, we want to highlight conceptual resemblances between these two concepts and thus offer a potential explanation for the current illiberal developments in Western societies. We further interpret the categorical analogy between populism and market-fundamentalism as a basis for a new authoritarian form of neoliberalism.

# 2 The concept of populism in Trump's "America First" doctrine

Trump's speeches and even more pronounced his frequent Twitter postings (see Kreis 2017) are saturated with populistic arguing:

*First*, Trump regularly uses the concept of "the people" in contrast to "the elite", e.g. in his inaugural address:

> "For too long, a small group in our nation's Capital has reaped the rewards of government while the people have borne the cost. Washington flourished -- but the people did not share in its wealth. […] today we are not merely transferring power from one administration to another, or from one party to another -- but we are transferring power from Washington, D.C. and giving it back to you, the American People" (Trump 2017a).

It can be shown that many current prominent leaders of right-wing populist parties in Europe use a similar rhetoric of dichotomous distinction of homogenous groups, based on the ideology of a divided society (Mudde/Kaltwasser 2017; Ötsch/Horaczek 2017; Wodak/Krzyzanowski 2017). Their policies are aimed at "the people" (the "in-group", "We" or "Them") and they apply a variety of moral argumentation strategies to stress the homogeneity of the in-group against the background of a derogatory image of the "others" (the "out-group").

*Second*, both groups are assigned with distinct attributes in order to stress the homogeneity of both groups and the fundamental differences between the groups (Wodak 2015):

1. The "We" are always conceived as good, the "others" are always bad.
2. The "We" are always conceived as honest, the "others" are always liars.
3. The "We" are always conceived as victims, the "others" are offenders. They serve as scapegoats for different kinds of problems.

Trump uses the strategy of presenting himself as honest confronted with "unfair" critique of "liars", who spread fake news and thus act as "enemies of the people"

(e.g. Trump 2017b): “We will honor the American people with the truth, and nothing else” (Trump 2016).

*Third*, the concept of “enemies of the people” is an essential condition for the ideology of a divided society, where the “we” are in an ongoing quarrel against the “others”. In this highly emotionally and morally laden perception, the “we” are explicitly threatened by the enormous power of the “others” and the “we” are lead to be scared and even physically feel the fear. In this respect Trump ‘s electoral campaign successfully took advantage of the wide-spread fear of many US people to become “strangers in their own land” (Hochschild 2016). It can be shown in many concrete examples, how Trump fosters feelings of fear and uncertainty and the image of an irreconcilably divided society.[1] Hence, the only possibility for the “we” or “the people” is then to stand up against “the elite”. Consequently as Finchelstein (2017, 10) put it, “Trump saw himself as the unrepressed voice of the people’s desires”. The myth of a divided society is fueled by demagogues in several ways. One telling example for such a conspiracy theory directed against “the elite” is Trump’s repeated denial of global warming.

*Fourth*, the basic categories of this view of a divided world, i.e. “the people” and “the elite” remain ill-defined and lack any empirical bases. For a specific person in society one cannot say if she is part of “the people” or an “enemy of the people”. There are no definitive criteria for this basic mapping of distinct persons to a distinct group. At the same time, there is no (and cannot be an) explicit discourse about the rules and criteria which fix the central demarcation of a dually divided society, since such a discourse would reveal the illusionary character of its main categories. Consequently, the classification of specific persons to “we” or the “others” must be done via authoritative action, e.g. by blaming the “others” for crimes. Trump’s frequent Twitter postings offer examples for this strategy of scapegoating nearly every day.

1 Jost (2006) and more recently Wrenn (2014) showed that the neoliberal era of the last decades as a period of heightened uncertainty and anxiety made individuals more responsive for right-wing conservative policies.

# 3 The concept of market-fundamentalism in neoliberal reasoning

Neoliberalism is a rather ambiguous term and is used to describe a political movement, a theoretical approach, a headline for several economic paradigms or economic policies or as a characterization of a historical period (Cahill/Stilwell 2012; Stilwell 2013). In this paper we use the concept of a neoliberal "thought collective" put forward by Mirowski (2013) (see also: Mirowski 2014; Mirowski/Plehwe 2009)[2], where the Mont Pélerin Society (MPS), the core neoliberal think tank founded in 1947 by Friedrich Hayek, is seen as its organizational core. Obviously, the MPS was founded by protagonists of heterogeneous economic paradigms, like the Chicago School of Economics (e.g. Aaron Director, Milton Friedman, George Stigler), Austrian legal and economic theory (e.g. Friedrich Hayek, Ludwig von Mises), German ordoliberalism (e.g. Walter Eucken, Wilhelm Röpke) and neoclassical economics (e.g. Maurice Allais, Lionel Robbins).

Our thesis in this paper is that all different strands of neoliberalism and its main protagonists organized around the MPS are connected by a commonly shared specific concept of "the market". This concept can be understood as a "collective thought" in a Fleckian "thought collective" (Fleck 1979/1935). Accordingly, we argue that the concept of "the market" serves as the theoretical core of a thought collective which we call "market-fundamentalism". This concept can be found at the basis of theoretical texts of main protagonists of the different strands of neoliberalism (Ötsch/Pühringer/Hirte, 2017). Despite its various applications, elaborations and translations into different paradigms the main reference to the concept of "the market" offers a common categorical basis and thus ensures their cohesion in a thought collective, which cannot be explained with focus on heterogeneous paradigms from a theoretical perspective.

The two main founders of the concept of market-fundamentalism are Ludwig von Mises and Friedrich Hayek, who both also had a formative impact on the institutional structure of the MPS and its preceding organizations such as the "Ludwig von Mises Seminar" or the "Walter Lippmann Colloquium" (Mirowski/Plehwe, 2009). The starting point for the concept of "the market" was von Mises (Mises 1951/1922, Mises 1996/1929) which turned out to have a strong influence on Hayek, Wilhelm Röpke and other prominent early neoliberal scholars. In von Mises' work we find the four core attributes outlined for the concept of populism:

2 Mirowski was heavily criticized for his work on the history of neoliberalism as a thought collective and a political movement, which lead him to denote neoliberalism as "The Political Movement that Dared not Speak its own Name" (Mirowski 2014). We nevertheless use his works as a starting point as we focus our analysis on the common conceptual ground of neoliberal reasoning, where the MPS still provides the central organizational and institutional core. Furthermore, in contrast to Mirowski we explicitly refer to Fleck's concept of a thought collective, where he argues that a commonly shared collective thought is an essential condition for its cohesion.

*First*, von Mises strictly opposes "socialism" or "interventionism" to capitalism, which he defines as "a social order that is built on private property in the means of production" (Mises, 1996/1929, 9). Von Mises juxtaposes two possible countervailing economic systems and stresses the ideological background of his endeavor to fight his broadly defined concept of "socialism":

> "The great ideological conflict of our age must not be confused with the mutual rivalries among the various totalitarian movements. The real issue is not who should run the totalitarian apparatus. The real problem is whether or not socialism should supplant the market economy" (Mises 1951/1922, 13).

In doing so von Mises follows a dichotomous logic of reasoning, for instance when he stresses:

> "There is no other choice: government either abstains from limited interference with the market forces, or it assumes total control over production and distribution. Either capitalism or socialism; there is no middle of the road." (Mises 1996/1929, 26)

Consequently, according to von Mises, there are only two kinds of economic systems. On the one hand he claims "the unhampered market", which represents the concept of "the market" in its pure form and the associated economic system of "capitalism". On the other hand and as the explicit opposite of the former von Mises defines "the hampered market order", signifying "socialism" in many varieties, based on "interventionism":

> "Intervention is an order limited by a social authority forcing the owners of the means of production and entrepreneurs to employ their means in a different manner than they otherwise would." (Mises 1996/1929, 20).

The binary definition of "hampered" versus "unhampered" in a further step can be applied to all economic phenomena. Hence, "Capitalism" and "socialism" are not simply two possible systems (among many others), similar in some aspects and different in others, but seen as logical contradictions: "Market" is the (logical) counterpart of "intervention".

*Second*, von Mises considers "the market" and its counterpart always as homogeneous: "The market economy or capitalism (…) and the socialist economy preclude one another. There is no mixture of the two systems possible or thinkable" (Mises 1996/1949, 258). Consequently, von Mises applies a strictly binary code: "The market" has to be attributed with exclusively positive, "the non-market" with exclusively negative characteristics. "Market" is always described in positive terms, such as "freedom", "consumer service", "natural", "scientific and systematic", "equilibrium", "theoretic insight" or "protection of all those willing to work". "Non-market" on the contrary is associated with "authoritative command", "prohibition", "arbitrariness", "police regulations", "violence" and "chaos". Instead of rational thought, "socialism" is ruled by "naivety", "rigid dogmas" and a "closed doctrine":

> "Economics is formally abolished, prohibited, and replaced by state and police science, which registers what government has decreed, and recommends what still is to be decreed." (Mises 1996/1929, 38)

*Third*, it can be shown that von Mises applies a concept of antagonistic forces of "the market" and "the non-market". The "forces of the markets" are expressed in the "laws of the market". Von Mises even claims that in a market economy "nobody is exempt from the law of the market" or "can evade the law of the market" (Mises 1996/1949, 311; 291). Hence, the market is seen as a system of a higher order and at first brings a social system into being: "The market is supreme. The market alone puts the whole social system in order and provides it with sense and meaning (ibid., 257)". According to von Mises the opinion leaders of liberalism follow the rules of "the market." Compared to "socialists" they act on the basis of antagonistic moral standards. Liberals want that "all living beings affirm their will to live and grow." (Mises 1996/1929], 112). In contrast, their opponents defend "all those whom the feverish activity of government granted protection, favors, and privileges. (ibid., 36). They long for "the omnipotence of state" and promote a "government policy to manage all worldly matters through orders - and prohibitions." (ibid., p. 137). As a consequence, "the market" and its associated individuals are locked in a dynamic conflict with supporters of "the non-market" idea, i.e. with "socialists". Hence, as von Mises put it bluntly, the "enemy" one has to fight is "socialism" or the "hampered market". It might be also called "destructionism", because it "seeks to destroy the social order based on private property in the means of production" (ibid., 101).

*Fourth*, von Mises uses his concept of "the market" in very different meanings. For von Mises the existence of "the market" is a real fact. Nevertheless, he is aware that he cannot derive it from empirical facts or historical developments and thus bases his analysis on "imaginary constructions"[3] (e.g. the pure market economy), which are postulated in an axiomatic way.

Consequently, von Mises does not attempt to provide any criterion for when a real process or institution is equivalent to his idealized concept of "the pure market economy". As a consequence, the category of "the market" in von Mises' reasoning cannot be empirically operationalized. Nevertheless, von Mises applies the concept of "the market" in very different meanings. For instance "the market" is used as a description of real phenomena on the one hand and as a normative claim on the other hand. A further meaning of "the market" is the idea that "the forces of the market" are not restricted to any historical context but can be found in different epochs. Therefore according to von Mises "the market" provides a potentiality which could be realized at any time, but at the same has not fully been established yet. Furthermore his utopia of a "pure market society" with "the market" in its pure and fully unhampered version would even lead to peaceful world order (Mises 1996/1949, 820 and 841).

This concept of "the market" in a similar vein can be found in the social philosophy and the theory of a spontaneous order of Hayek (see for instance Hayek 1944,

3 Mises (1996/1949, 237) stresses that "the imaginary constructions of praxeology can never be confronted with any experience of things external and can never be appraised from the point of view of such experience."

Hayek 1991) as well as in Eucken's a dual conception of economic systems (e.g. Eucken 1965/1947, see Ötsch et al. 2017). In every variety of market-fundamentalist arguing the concept of "the market" is used in very different meanings (e.g. descriptively, normatively or even in a utopian sense). Hence, "the market" is a polysemous concept with different and partly even contradictory meanings (Ötsch et al., 2017, 79–85). "The market" is used to describe real aspects of capitalism and thus serves as a role model for economic policy recommendations. Furthermore, the concept of "the market" can be used as a potentiality or a heuristic for the real economy, which can be realized by unleashing the "forces of the market", like it was applied in former non-capitalist countries or even as an utopia, which has yet never been fully implemented. All these ambiguous and partly contradictory meanings of "the market" stem from its underlying dual world view and thus lack any empirical foundation.

# 4 Conclusion

On the basis of Mudde's definition of populism we derived at four core attributes for populist reasoning and further aimed to show that these four attributes can be found in demagogic arguing of present US and European right-wing populists as well as in the work of the main founders of market-fundamentalism. Table 1 provides an overview of the conceptual analogies of these two types of reasoning as outlined above with some examples.

*Table 1: Conceptual analogies between right-wing populism and market-fundamentalism*

| | Demagogy (Right-wing Populism) | Market-fundamentalism (Neoliberalism) |
|---|---|---|
| Dually divided system | Society divided into "We" and "Others" / an "in-group" and an "out-group":<br>"the people" / "the forgotten man" vs. "the establishment" / "the elite"<br>"our cultural identity" / "our language" vs. "foreign culture" | Economic order divided into "market" and "non-market":<br>"free enterprise system" vs. "bureaucratic authorities"<br>"capitalism" / "pure market economy" vs. "socialism" / "planned economy" |
| Homogeneity of the parts | (a) "good" vs. "bad"<br>(b) "honest" / "truth" vs. "liars" / "fake news"<br>(c) "victims" vs. "offenders" | (a) "freedom" vs. "coercion"<br>(b) "science" vs. "ideology"<br>(c) "efficiency" vs. "inefficiency" |
| Antagonistic forces | "The will of the people" vs. "the will of the elite" | "The forces of market" vs. "the forces of socialist policies" |
| Polysemy of the concept | Arbitrary classification of distinct people by an authoritarian leader; utopia of a "We-society" | Different meanings, such as realistic, descriptive, normative or potential; utopia of a "pure market society" |

Thus, we conclude that demagogy and market-fundamentalism share conceptual similarities, which in turn allow for a deeper understanding of recent populist uprisings in Europe and the US. On the one hand due to their conceptual similarities demagogic and market-fundamental reasoning are potentially mutually reinforcing

each other or are serving as gateways for each other (Ötsch/Pühringer 2017). On the other hand one could observe an interplay of market-fundamentalism and right-wing populism in several campaigns of the Tea Party movement (Skocpol/Williamson 2012), the election campaign of Donald Trump (Ware 2016) as well as in the German "Alternative für Deutschland" (AfD) or the "Austrian Freedom Party" (FPÖ). To this end, in this paper we aimed to highlight that although not always made explicit by right-wing populists and market-fundamentalist both concepts contain inherent illiberal elements. These developments lead several authors to identify a rise of "authoritarian neoliberalism"[4].

In their mutual reinforcement the concepts of demagogy and market-fundamentalism potentially pave the way to an authoritarian political and economic order and thus present a severe threat to the US and European political system and democracy in general. Nevertheless, the intensified political protest against current populist and neoliberal policies also indicates the increased strength of countervailing powers against these anti-democratic developments.

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4 Bruff (2014, 116) for instance stresses that in authoritarian neoliberalism dominant social groups forcing "the explicit exclusion and marginalization of subordinate social groups through constitutionally and legally engineered self-disempowerment of nominally democratic institutions, governments and parliaments".

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