

2 *Neo-liberalism and fiscal conservatism*

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The present period is one of economic turbulence but ideological stability. Despite the scale of the 2008 financial crash, there has not been, so far, much sign of the type of shift in the ideas governing economic policy that followed the economic upheaval of the 1930s and the smaller upheaval of the 1970s. The 1930s saw the emergence of Keynesianism and Social Democracy and the 1970s saw the emergence of monetarism and neo-liberalism. Although challenged by recent events, for the moment neo-liberalism appears to be retaining its ascendancy. How should we understand this resilience? How should we understand neo-liberalism? These are the questions with which this chapter is concerned, and it makes three main claims. First, neo-liberalism is more than simply a contingent reaction to Keynesianism and Social Democracy. Part of its resilience as a set of ideas is that it draws on perennial themes of classical liberal political economy, particularly concerning the nature of commercial society and the role of the state in a market economy. Second, neo-liberalism is not a unified doctrine but rather has several distinct strands, which can be contradictory. Third, one of the most striking contradictions is in regard to neo-liberal attitudes to fiscal conservatism. In terms of the typology developed in Chapter 1, I argue that the resilience of neo-liberalism can best be explained by the first three explanations: (1) the ideological malleability of its core principles, (2) the gap between rhetoric and reality, and (3) the ways in which neo-liberal ideas achieve discourse hegemony by being translated into a form of populist economic common sense. These features make neo-liberalism difficult to discredit and help to account for its resilience.

An influential way of understanding neo-liberalism draws on Karl Polanyi's (1945) account of ideological development in the capitalist era. He suggested that the liberal market economy was created through deliberate policy and state action in the nineteenth century, which destroyed traditional forms of economy and society and brought, as a