

## "EMBEDDED" NEOLIBERALISM \*

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**Abstract.** *Neoliberalism is subject to conflicting interpretations. Although often associated with the relation between state and market, neoliberalism is certainly beyond the scope of these relationships. It is a complex phenomenon composed of beliefs, practices and institutions. Neglecting any of these elements leads to a misunderstanding of the whole. One of the most complex issues facing those who deal with the issue of neoliberalism is to establish a connection between normative recommendations of neoliberal theory and political and economic changes in market economies. Elementary insights into economic changes over the last decades show that there is a certain correspondence between the neoliberal ideas and the trajectory of many capitalist economies, but also clear discrepancies. The goal of this paper is to investigate the analytical potential of the "embeddedness" concept in the analysis of discrepancies between neoliberal theory and practice.*

**Key Words:** *liberalism, neoliberalism, embeddedness, state, market.*

### INTRODUCTION

Neoliberalism is one of those concepts that have become a frequent topic of political and academic debate in recent decades. Proponents of neoliberal policies point out that neoliberalism encouraged economic growth and development of more open and efficient market economy, while opponents to neoliberalism point out that it contributed to the development of new forms of capitalist exploitation, rising inequality and economic crisis. One thing is indisputable; it is a concept that is subject to conflicting interpretations. Al-

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though often associated with the relation between state and market, neoliberalism is certainly beyond the scope of these relationships. Like liberalism, neoliberalism is also composed of beliefs, practices and institutions. Neglecting any of these elements leads to a misunderstanding of the whole.

One of the most complex issues facing those who deal with the issue of neoliberalism is to establish a connection between neoliberalism as a set of statements about the nature of human society and how it should be organized, and neoliberalism as a set of economic-political measures and economic processes, on the other. What is indisputable when it comes to neoliberalism is diversity of neoliberal thought and practice. Starting from the obvious discrepancies between normative recommendations of neoliberal doctrine and the actual trajectory of capitalist economies in the period often referred to as the neoliberal era, the goal of this paper is to investigate the analytical potential of the "embeddedness" concept in the analysis of neoliberal theory and practice.

#### LIBERALISM: ONE OR MANY?

There are many dilemmas and ambiguities in relation to conceptualisation of liberalism. Some authors speak of liberalism in the singular, while others suggest that there are several variants of liberalism. It is easy to state the well-known liberals, says Ryan. It is far more difficult to identify what they have in common. John Locke, Adam Smith, Montesquieu, John Stuart Mill, John Dewey, Isaiah Berlin and John Rawls are definitely liberals, but they do not agree on all issues (Ryan 1993, p. 291). There is no consensus about the "original" or "true" meaning of liberalism. One of the differences which is frequently emphasised is the one between classical and modern liberalism (Ibid. 293-296). *Classical liberalism*, according to Ryan, includes earlier liberals such as John Locke and Adam Smith, Alexis de Tocqueville and Friedrich von Hayek. This variant of liberalism is associated with the belief that the role of the state should be kept to a minimum (national defence, law enforcement and public goods). All other decisions should be left to the citizens and the organizations they establish. The primary purpose of government is to provide key aspects of social order.

Thus defined, classical liberalism has much in common with *economic liberalism*. Since they advocate a *laissez-faire* economic policies, classical liberals are often cited as leading proponents of neoliberalism. Hence the positioning of Hayek as a classical liberal and also as a neoliberal. *Modern liberalism*, on the other hand, is characterized by a little more tolerant attitude when it comes to the role of government in the economy. Modern liberalism is a profound revision of liberalism, especially economic policies that are associated with it. While the representatives of classical or economic liberalism advocate *laissez-faire* economic policy, emphasizing that it brings more freedom and democracy, modern liberals believe that this view must be revised and that the state should play a significant role in the economy, in order to achieve liberal goals. Confrontation of freedom and equality ignores the democratic principle that the freedom of any individual is as important as the freedom of other individuals, as well as the fact that the freedom of individuals is often constrained by the social factors beyond their control. In order to provide freedom for everybody, involvement of the state is necessary. Inequality in any form implies dependence, especially dependence of the poorer and less able on wealthier and more com-

petent. Dependence undermines the central principle of liberalism. Realization of the principle of sovereignty requires that each individual experiences himself as a creator of the civil law. As long as income and wealth inequality are persistent in society, laws are often seen as a reflection of the interests of certain groups more than others, and obedience to law is perceived as illegitimate subjugation to one's power. In line with that argument, if the freedom of every individual is equally important, an adequate level of state involvement becomes a matter of circumstances and not principles. The roots of modern liberalism can be drawn back to the theorists of the 19th century, such as Benjamin Constant and John Stuart Mill. More recently, John Dewey, William Beveridge and John Rawls are considered as representatives of that variant of neoliberalism. Because of the readiness to use state as an instrument of redistribution of wealth and power in order to create a more equitable society (Beveridge 1945; Rawls 1993), modern liberalism is positioned to the left of classical liberalism.

Studying the development of liberal thought, Ryan (Ryan 1993, p. 296-297) made a distinction between liberalism (or *liberal egalitarianism*) on one side and *libertarianism* on the other. Libertarianism is denoted as a radicalized version of classical liberalism, embodied in the teachings of Robert Nozick (Nozick 1974) and Murray Rothbard (Murray Rothbard 2004 [1962/1970]), and liberal egalitarianism as a systematic reconstruction of modern liberalism (Rawls 1971; Ackerman 1980). At the base of libertarianism is accentuation of freedom, especially economic freedom and, at the same time, relativization of other traditional liberal values, such as democracy and social justice. This is where libertarians are moving away from traditional liberals like Smith and Tocqueville, who, though wholeheartedly advocates of economic freedom, recognized the importance and legitimacy of other social issues. Later liberals, like Hayek, are almost indistinguishable from the libertarians, even though he and the other economists of the Austrian School describe themselves as advocates of classical liberalism, while accusing the mainstream liberals of advocating "a program that only differs in some details from totalitarian socialist" (Mises 1962; Hayek 1973, 1976, 1979). Liberal egalitarians share the traditional liberal view that there are many legitimate aims and ideals, and that free trade is only one of these goals. The term "liberal egalitarians" indicates that representatives of this segment of liberal thought insist both on freedom and equality, which place them beside the modern liberals - politically they are positioned to the left of classical liberals and libertarians. It is obvious that there is some overlap of this division with a division between classical and modern liberalism.

Oxford English Dictionary (1989) broadly defines liberalism as a political ideology that emphasizes the constitutional changes and legal or administrative reforms aimed at stimulation of freedom and democracy. Ryan (Ryan, 1993) sublimated basic features of liberalism in the following way: liberalism is a set of political theories which, above all, stress the need for an individual to be free in making choice between available alternatives. In addition, liberalism implies necessity of the rule of law and democratic governance. Finally, liberalism is associated with the idea of the constitutional limitations of government (e.g. through a system of separation of powers, as suggested by early liberals, like Locke and Montesquieu). Neoliberalism is often defined as a political program or ideology, whose goals include development, deepening and preservation of constitutional democracy, limited government, individual freedom and basic human and civil rights (Thorsen & Lie 2006, p. 7). The above definitions imply that liberalism should be per-

ceived as a "practical theory" of construction and maintenance of democratic politics and the protection of individual freedoms, rather than a "metaphysical conception of man and society", which emphasizes the practical side of liberal policies and key objectives liberals seek to achieve (Sartori 1987, p. 379-383).

Insight into the history and recent changes in liberal thought leads us to the conclusion that the refinement of political ideals, goals and beliefs common to all liberals is not an easy task.

#### DIVERSITY OF NEOLIBERAL THEORY

The term "neoliberalism" may suggest two things. First, that liberalism, once an influential political ideology, in the meantime lost its significance, only to resurface in a slightly altered form. In other words, liberalism has passed the initial stage of growth, then the crisis stage and is now in the process of revival. Another interpretation is that neoliberalism is a distinct ideology, which has a lot in common, but is not identical to the original liberalism. According to this interpretation, neoliberalism shares historical roots and basic terminology with liberalism in general.

Neoliberalism is often seen as a return and spread of one specific aspect of the liberal tradition - economic liberalism (Nawroth 1962; ver Eecke 1982). Thus, *Oxford English Dictionary* defines neoliberalism as a modified or reconstructed version of traditional liberalism, primarily one based on the belief in free market capitalism and individual rights (*Oxford English Dictionary* 1989). On the other hand, some authors who believe that neoliberalism should not be perceived as a revival of liberalism, but as a special economic theory that in the last few decades replaced a much milder version of liberalism (the so-called "embedded liberalism") - that is, the Keynesian approach to macroeconomic management, inspired by modern liberalism (Harvey 2005).

What is common to most variants of neoliberalism is the view that the market is a central institution or mechanism of organizing modern capitalist societies and that economic policies at national and international level should not be oriented only toward provision of conditions for the functioning of free markets – it is necessary to ensure more efficient functioning of the market by applying measures that encourage competition, relativize market failures etc. In this respect, neoliberalism, as well as classical liberalism, is primarily normative/prescriptive doctrine, the framework for the formulation and implementation of public policies at national and international level. Unlike classical liberalism, however, there is no a priori assumption about effective self-regulation of the market. The market works efficiently only if it is woven into the network of pro-market rules, institutions and policies (Harvey 2005). While classical liberals considered market as part of the natural order of things, neoliberals point out that the market exists and can exist only in specific political, legal and institutional conditions that have to be built by the state. Furthermore, rational behavior of individuals, which in the classical liberalism was considered as part of human nature, in neoliberalism is perceived as "artificially arranged or contrived forms of the free, entrepreneurial, and competitive conduct of economic-rational individuals" (Burchell 1996, p. 23). In addition, in defining the tasks of the state, neoliberals include providing conditions that will allow for an "artificial competitive game of entrepreneurial conduct to be played to the best effect" (Ibid, p. 27). Neoliberal-

ism, as a theory of economic and political practice, implies that the growth of welfare can be achieved only by the release of individual entrepreneurial freedoms and skills within an institutional environment that is characterized by clearly defined and protected property rights, free markets and free trade. The role of government is to promote and maintain institutional framework that supports this practice. State, for example, should guarantee the quality and integrity of money. It should ensure territorial integrity, internal peace and order, law enforcement and the smooth functioning of the market. If the market does not exist (for example, in education, health care, social services and environmental protection), then it must be created with the help of the state. Beyond that, state intervention should be minimized because the state does not have adequate information, and interest group can turn state intervention to their advantage, especially in democracies (Harvey 2005, p. 2.). For Campbell and Pedersen (Campbell & Pedersen 2001, p. 5), neoliberalism is a heterogeneous set consisting of ideas, social and economic policies, as well as ways of organizing political and economic activities. It includes reduction of the social functions of the state, taxes and business regulation; flexible labor markets and decentralized capital-labor relations, unrestrained by the actions of strong unions and collective bargaining process; elimination of obstacles to international mobility of capital. It also implies favoring market solutions to economic problems (rather than indicative planning) and commitment to control inflation at the expense of full employment. In addition, it includes unquestioningly belief in the principles of neoclassical economics.

What is indisputable when it comes to neoliberalism is diversity of neoliberal thought. It is not a simple and homogeneous philosophy, as it may seem at a first glance. In certain segments these different political philosophies are unique, insisting on the withdrawal of state from the economy and the creation of a society organized on market principles. But they are different enough to require a highly nuanced criticism that takes seriously their internal differences, instead of classifying them all under the same flag. Therefore, interpretation of neoliberalism as a revival of liberalism of the 19th century - a return to pure *laissez faire* principles and ideology (and economic theory) of self-regulating market - represents a substantial simplification of reality. In some of its variants neoliberalism includes the role of the state in creating, promoting and ensuring of the efficient functioning of markets - a kind of "imposed" *laissez faire* - analogous to Rousseau's conception of individuals forced to be free. It is this internal differentiation that makes room for a much wider range of policy options, economic-policy recommendations and practices in relation to the original, conservative version of neoliberalism; including what is called "regulatory", "controlled" and "social" liberalism.

#### NEOLIBERAL THEORY VERSUS PRACTICE

Neoliberalism is not only identified with theory, but also with changes in the state and the economy arising from its normative aspects. While supporters of the neoliberal ideology and policies point out that neoliberalism enabled higher economic growth and development of more effective forms of free and open capitalist economy, critics attack neoliberalism with the argument that it justifies new forms of capitalist exploitation, causes rising inequality and emergence of crisis.

If neoliberalism is more than a political and economic doctrine, there must be a link between neoliberal ideas and political and economic changes in society. One of the most complex issues facing those who deal with the issue of neoliberalism is to establish a connection between neoliberalism as a set of statements about the nature of human society and how it should be organized, and neoliberalism as a set of economic-political measures and economic processes, on the other. Since neoliberalism is associated with privatization, deregulation, constitutional limitations to government, minimal state and strengthening of individual liberties, it is necessary to examine whether today's state and economies can be labelled neoliberal i.e. to what extent they implemented the above mentioned recommendations of the neoliberal theory. In other words, the question is whether there is a clear correlation between the normative recommendations of the neoliberal theory and political and economic changes in the market economies in recent decades. Since the 1970s, especially after the 1980s and 1990s, we were witnesses of the process of deregulation, privatization and affirmation of the market. Deregulation provided increased freedom for economic actors. Privatisation caused capital reallocation from the state to private sector. The private sector is afforded to compete with the state sector in provision of certain goods and services. This elementary insight into the changes during the 1970s and 1980s shows that there is certain correspondence between neoliberal ideas and trajectory of many capitalist economies during this period. However, despite the obvious correlation, a comparison of the neoliberal doctrine with the developmental path of capitalist economies reveals clear discrepancies between the neoliberal theory and political and economic practice. Empirical studies show that there was no reduction in the size of government expenditures in this period. Tanzi and Schuknecht (Tanzi & Schuknecht 2000, p. 6-7) have demonstrated that between 1980 and 1996, total government expenditures as a percentage of GDP in the 17 most developed industrial capitalist economy increased from 43.1% to 45.6%. Rodrik's study, which in addition to the OECD countries included other market economies, indicated a positive correlation between the share in international trade and the size of government expenditures between 1960s and 1990s (Rodrik 1998). Although the countries which experienced a rapid growth of international trade during the last few decades have a lower rate of growth of state expenditure, it is indisputable that in the period that many refer to as the neoliberal era there has been a growth in the absolute and relative size of state expenditure. The same trend has been observed when it comes to the regulatory function of the state. This is clearly shown by Levi-Faur study performed on the example of electricity and telecommunications, with a sample that included 171 countries, between 1980 and 2002 (Levi-Faur 2005, p. 18-19). In this period, privatization was accompanied by the establishment of new regulatory bodies in key industries. Proceeding from this, Levi-Faur concludes that neoliberalism encouraged a regulatory reform, including creating new instruments of regulation and the establishment of new regulatory bodies. Braithwaite reached the same conclusion (Braithwaite 2008, p. 24.), pointing to the fact that during the neoliberal era "regulatory capitalism" was developed, where the state retained many of the existing functions (provision of goods and services) but also added new ones (regulation). The conclusion that arises naturally is that although in the last few decades there has been a transformation of the role of government, there are not enough arguments to speak about its radical withdrawal from the economy.

At first glance, it seems that capitalist economies have been characterized by the implementation of neoliberal policies of deregulation, privatization and strengthening of the

market during last three decades. There is obvious correspondence between the neoliberal economic theory and political practice, since the state has conceded many services to the private sector and encouraged private sector involvement in providing social services beside the public sector. Privatization, however, often led to a new regulation of the privatized companies, or to the creation of new regulatory bodies with the task to oversee the newly established market for social services that had previously represented the state's monopoly - such as National Electricity Market Management Company (NEMMCO), in the case of privatization of electricity (Cahill 2011, p. 7). The introduction of markets in the area of social services often entailed the engagement of the state in terms of their subsidization.

Neoliberal doctrine was a suitable framework for the explanation and justification of such policies on economic and philosophical grounds. Economic policies based on neoliberal doctrine have provided a formal or nominal growth of economic freedom. Individuals are, formally speaking, given the opportunity to decide on the exchange with other individuals concerning wider range of issues than before - employment, health and social care. This is completely in line with the neoliberal argument that individuals should have the freedom to choose and realize their preferences through the market without restrictions defined by the arbitrary intervention of collective entities, such as the state. In reality, we are often faced with the fact that such formal freedoms do not translate into real freedoms, or they are converted into real freedoms only for small groups of individuals, because of other regulations and the power relations that limit the set of options available to individuals in carrying out these transactions.

In this period the state has taken appropriate steps to undermine the influence of organized labor. After the coup in 1973 which overthrew the elected President Salvador Allende, the newly established government led by general Augusto Pinochet, initiated the process of privatization, elimination of protectionist barriers and reduction of government expenditures. At the same time, the government used force to combat the impact of organized labor and dissidents through imprisonment, torture and even murder. In this case, neoliberalism has come to life with the help of instruments of state coercion. The case of Chile is certainly extreme and indicates the key role of state in neoliberal project and contrast that exists between neoliberal theory and practice (Harvey 2005, p. 64-86). But some other neoliberal governments have also used authoritarian political strategy aimed at strengthening the market. In the mid 1980s, the government of Margaret Thatcher in the UK used coercive measures, which included police and secret services, to weaken the influence of a powerful National Union of Miners. It not only opened the way for privatization of coal mines, but also weakened the labor movement in general, which paved the way for further implementation of neoliberal measures (Ibid, p. 59).

Critics, as well as advocates, often associate neoliberalism with minimal state intervention and regulation. However, without distinguishing types of intervention, it would be too simplistic and wrong to associate neoliberalism with the "minimal" state. Neoliberalism is a political project, aimed at dismantling those forms of government intervention that are associated with the so-called welfare state, socialist state or developmental state. On the other hand, neoliberalism involves state intervention in the development of new forms of governance, which stimulate development of market economy (Jessop 2002, p. 454). Hence, it is not surprising that economic, social and political measures, as part of neoliberal project, often include growth of state intervention. Although implementation of

the neoliberal project involves reduction of social services provided by the state, there is an increase of state intervention regarding implementation of neoliberal economic policies and reducing the resistance to those policies. In this context, it seems useful to consider Foucault's perception of liberalism and neoliberalism. Foucault does not perceive neoliberalism and liberalism as a fixed set of policies or the hegemonic project. Instead, he considers them as a form of critical review of state intervention and attempts to "reform and rationalize" it (Foucault 1977, p. 77). This conception differs slightly from the common understanding of neoliberalism as a categorical rejection of state intervention. Liberalism, according to Foucault, implies a critical attitude towards the state, reinvestigating justification of state intervention and pointing to the potentially harmful effects of that intervention (Ibid. p. 74-75). But in terms of political rationality, liberalism also implies certain forms of state intervention. Thus, the characteristic feature of neoliberal governance is not doctrinaire attachment to a specific set of policies. Instead, neoliberalism is based on a flexible criticism and intervention, which can take various concrete forms.

#### USEFULNESS OF THE EMBEDDEDNESS CONCEPT IN THE ANALYSIS OF NEOLIBERALISM

During the last two decades embeddedness served as a key concept which indicated specificity of a sociological understanding of economic processes. Economic sociologists use this concept in order to indicate that the behavior of individuals and institutions is determined by social relations. Individuals do not really act as isolated atoms; they are woven into the structure of social networks, which are therefore relevant for the explanation of economic outcomes. The concept of embeddedness refers to social, cultural, political and cognitive framework within which economic decisions are made and points out to the unbreakable bond between actors and their social environment.

Economic activities take place within social networks that make up the social structure. Proceeding from this, analysis of individual behavior embedded into social relations represents priority. Fruitful analysis of human actions requires avoiding the atomization implicit in theoretical extremes of undersocialized and oversocialized conceptions of human action. Actors do not behave and do not decide as atoms outside the social context, nor do they blindly abide to a previously written scenario specific to their social status and role. Their attempts at purposive action are embedded in the existing system of social relations, stresses Granovetter (Granovetter 1985, p. 487).

Although Granovetter popularized the embeddedness concept and gave it a specific expression in the context of economic sociology, it is well known that he took it over from Polanyi's work (Polanyi 1957), who used this concept as part of his attacks on liberalism. In order to understand a particular activity we have to put it into social context in which it takes place, and to understand the social context we have to turn to interactions between social institutions and individuals that determine the social context. The economy is, Polanyi writes, woven into the institutions, economic and non-economic. The inclusion of non-economic component is therefore of vital importance. Religion or state may be equally important for the structure and functioning of the economy as financial institutions or the availability of tools and machines that make work easier (Polanyi 1957, p. 250). We should avoid abstract generalization in terms of economic issues, which obscure and oversimplify the complexity of real situations. Our task is to separate them from



such generalities and look at their concrete aspects, said Polanyi (Polanyi 1977, p. xlvii-xlviii). Most of Polanyi's extensive empirical research was devoted to demonstration of subordination of markets to other institutional forms (historically and culturally). Market, even in its ideal form, is not a reflection of the primordial, eternal instincts; rather, it represents a social institution, reflecting the complex alchemy of politics, culture and ideology. This methodological approach emphasizes the fact that markets and economic processes are socially constructed and is opposed to the (artificial) division of economic and social spheres, which neoliberals insist on. It follows that the market is an institution that should be explained, and not a part of the natural order that is given. Building on the work of Polanyi, Dugger (Dugger 1989) highlights the fact that the market is not a natural phenomenon, but an institution created by people and that its form and structure are not immutable. One of the important implications of this approach - that creation and development of the market is almost always a result of deliberate constructivism by the state - is particularly relevant for the analysis of neoliberalism. In the context of relations between the state and economy, the concept of embeddedness is consistent with the Levi-Faur argument that regulation is a necessary precondition for the functioning of markets (Levi-Faur 2005, p. 19). From this perspective, the idea of a radical withdrawal of the state from economy turns out to be impossible.

#### ACTUALLY EXISTING NEOLIBERALISM

Despite an obvious correlation between neoliberal doctrine (observed through normative commitment to free market and withdrawal of the state) and economic practice, certain caution is necessary in describing the existing political and economic order as neoliberal. It is often pointed out that in this case it is necessary to add the word "existing" before neoliberalism (Brenner & Theodore 2002; Peck & Tickell 2002), in order to emphasize the fact that the practice of market economies in recent decades was not a true reflection of the common perception of the neoliberal doctrine. This term indicates a difference between neoliberal theory and practice, but also implies a certain correspondence between them.

If we accept that the economy is "always embedded" in social institutions and processes, it is not surprising that normative neoliberal ideal of free market has never been fully realized in practice. Since capitalism or market economy are always embedded, specific manifestations of capitalism are also embedded. It is therefore justified to speak about "embedded" neoliberalism. We can specify at least three mechanisms through which neoliberalism is "embedded" in society. First, neoliberalism is embedded ideologically. Cerny (Cerny 2008, p. 39) points out that neoliberal conceptual framework has become embedded in the same way liberalism was previously embedded as a dominant conceptual framework in which institutions are formed and policies created after World War II (Ibid, p. 2). Today neoliberalism is a framework that defines social and economic policies around the world. But it is, at the same time, internally differentiated and made up of a set of mutually linked but also separate sub-categories and dimensions. Although there is ideological, economic and political convergence around neoliberal core between conservative and social democratic parties in most advanced capitalist economies, there are

definite differences between conservative and social-democratic variants of neoliberal strategy.

Neoliberalism is also embedded institutionally. The most important mechanism of institutional embedding is the state. Not only did neoliberalism bring about the state withdrawal from economy, but the state was actively involved in the implementation and dissemination of neoliberal principles as well. Although there has been a collapse of some institutions and regulations that characterized the period after World War II, in the meantime new forms of regulation were developed (Peck & Tickell 2002, p. 384). Within these processes, the emphasis has switched from degradation and discreditation of the institutions of welfare state towards construction and consolidation of neoliberal management and regulation. Namely, it was necessary to create and implement new rules in order to ensure the functioning of deregulated markets. It is the main reason why Anderson perceived deregulation of the market as a form of "re-regulation" (Anderson 1999). Introduction of market principles in social services sphere has been followed by the engagement of the state in terms of subsidizing private companies that provide these services - either through direct payments or tax subsidies to companies or users. Furthermore, the state has used authoritarian methods to combat the impact of organized labor, including regulations that put employers in a privileged position in relation to workers.

Third, it is possible to speak of the socio-relational embedding of neoliberalism. Neoliberalism has been developed along with an important change in the balance of power between left and right. Transformation of the regulatory apparatus of the state (through privatization, deregulation and promotion of the market) caused a change in the process of capital accumulation, resulting in weakening of the power of organized labor and the growing power of capital, not only at company level but also at the level of economic policy; removal of many restriction imposed on capital after World War II and expansion of the sphere of commodification through deregulation and opening of the public sector services to private capital.

One of the reasons why neoliberalism has been denoted as hegemonic concept and project is that it is propagated by the global institutions (like the IMF), which obviously have the power to impose its will on individual countries. This, of course, does not mean that neoliberal policies are applied uniformly, because of the different social and cultural contexts in individual countries. From the perspective of the critics of neoliberalism, the essence of neoliberal ideology is the belief that open, competitive and unregulated market, liberated from all forms of state interference, is an optimal mechanism for economic development. The question, however, remains whether neoliberalism is ever implemented in its "pure" form, or if we are faced with a number of "hybrid" forms, resulting from the application of neoliberal ideas in specific contexts.

We can identify at least two forms of hybridization in the case of neoliberalism. The first relates to the fact that different social, historical and cultural contexts cause differences in the neoliberal strategies and policies. The second relates to the change of content of neoliberal reforms i.e. strategic adjustment aimed at the realization of broader neoliberal goals. In this context, Peck and Tickell (Peck & Tickell 2002, p. 388) specify three phases in the development of neoliberalism in the USA and the UK. The first phase (*protoneoliberalism*) refers to the return of the free-market ideology in economic science. The second phase (*rollback neoliberalism*) is characterized by the demands for the reduction of state intervention and affirmation of market. The third stage (*rollout neoliberal-*

*ism*) is characterized by the efforts to mitigate negative consequences and significant social externalities of the narrowly market-oriented form of neoliberalism. The contradictions and tensions arising during the second phase have been relativized by the "deliberate spread of neoliberal repertoire ... to include new forms of governance and regulation of the market (Ibid, p. 390)". The above mentioned policies are opposed to the ideological attachment to "open, competitive and deregulated market", which is attributed to neoliberalism. These policies, however, as Peck and Tickell point out, carry the epithet "neoliberal" since they are oriented towards "realization of the neoliberal goals in a broader sense" (Ibid. 388).

When critics label neoliberalism as a unique and hegemonic concept they, in large part, exaggerate its power and influence. It is necessary to focus on different variants of neoliberalism, hybrid nature of contemporary policies and programs, as well as different and contradictory aspects of neoliberal spaces, techniques and subjects (Larner 2003, p. 309). Bearing in mind that this approach may encourage the proliferation of unrelated case studies, Peck and Tikel emphasize the importance of theoretical analysis in terms of identifying similarities between different forms of neoliberalism, based on comparative analysis of empirical research and not on a priori theorizing, or appealing to a theoretical body of work - for example of Friedman and Hayek (Peck & Tickell 2002, p. 395).

By identifying specific variants of neoliberalism we do not really explore the existing varieties of a homogeneous *genus*. Instead, we investigate the effects of existing, dominant ideas in a given context. This means that the subject of any research project is not just a "variant" of something more permanent and stable, but a qualitatively different phenomenon - a combination of neoliberal policies and a host of social phenomena. The thesis about "existing neoliberalism" is in contrast to the deeply rooted belief characterized by the acceptance of normative vision of the organization of economy and society in neoliberal theory as a plausible description of the important political and economic changes over the past three decades.

#### CONCLUDING REMARKS

Critics point out that idealization of the market, which is at the core of neoliberalism, does not give a true picture of reality and that such a world is quite different from that in which we live. From their perspective, the economic-policy recommendations arising from such models are based on a superficial understanding of economic principles, not on the understanding of specific problems and their causes. Neoliberalism is usually perceived as a political philosophy that gives priority to individual freedom and private property. However, it is not a simple and homogeneous philosophy. While there is much common ground between different varieties of neoliberalism, they are different enough to require a highly nuanced criticism. Another important prerequisite for an argued critique of neoliberalism is to establish a clear correlation between normative recommendations of the neoliberal theory and political and economic changes in market economies in recent decades. Elementary insights into economic trends over the last decades shows that there is a certain correspondence between the neoliberal ideas and the trajectory of many capitalist economies, but also clear discrepancies.

Neoliberalism is often associated with minimal state intervention and regulation. However, without distinguishing types of intervention, it would be too simplistic and wrong to associate neoliberalism with "minimal" state. Neoliberalism is a political project, aimed at dismantling those forms of government intervention that are associated with the so-called welfare state, socialist state or a developmental state. On the other hand, neoliberalism involves state intervention in the development of new forms of governance, that would facilitate the development of efficient market economy.

The main conclusion arising from this paper is that only if perceived as socially embedded, we can speak of neoliberalism as an economic and political practice, the process of economic transformation and political-economic doctrine and to establish a link between them. Neoliberalism is embedded in the existing institutions, which proved rather stable during the periods of crisis and social discontent. In that context, frequent warnings about its near collapse appear premature.

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## **"UKORENJENI" NEOLIBERALIZAM**

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*Neoliberalizam predstavlja predmet oprečnih interpretacija. Iako se često povezuje sa pitanjem odnosa države i tržišta, neoliberalizam svakako prevazilazi okvire tih odnosa. Neoliberalizam predstavlja razgranatu gradjevinu satkanu od verovanja, prakse i institucija. Zanimarivanje bilo kojeg od pomenutih elemenata vodi nerazumevanju celine. Jedno od najsloženijih pitanja sa kojim se suočavaju oni koji se bave neoliberalizmom je utvrđivanje veze između normativnih preporuka neoliberalne teorije i političkih i ekonomskih promena u tržišnim privredama. Elementarni uvid u ekonomske promene u poslednjih nekoliko decenija pokazuje da postoji određeno podudaranje između neoliberalnih ideja i trajektorije većine kapitalističkih privreda, ali i jasne diskrepance. Cilj ovog rada je da istraži analitički potencijal koncepta "ukorenjenosti" u analizi diskrepanci između neoliberalne teorije i prakse.*

Ključne reči: *liberalizam, neoliberalizam, ukorenjenost, država, tržište.*