

NAMING THE RIGHT

FROM THE NEW RIGHT TO ECONOMIC RATIONALISM TO NEOLIBERALISM

OVER THE LAST twenty or so years protected industries have been opened to competition, state-owned enterprises have been privatised, and, with less success, government spending constrained. These developments have occurred in a diverse range of countries, implemented by parties with varying ideological traditions. Apart from eponymous terms (Thatcherism, Reaganism), the trend towards markets, as it can be summarised, has been given two names with international currency, the “New Right” and “neoliberalism”, and one local designation, “economic rationalism”.

In 2001, all three names are still used, with “New Right” fading, “neoliberalism” rising, and “economic rationalism” still the most common, but perhaps facing a challenge from “neoliberalism”. I’ll argue in what follows that while all three terms indicate the trend towards markets, they also each tell us something different, even if it is about the speaker or writer rather than what they are describing.

In the first decade of greater intellectual and political support for markets the dominant term was “New Right”. In 1982, a Canberra academic, Marian Sawer, edited a book called *Australia and the New Right*. She contributed a chapter entitled “Political Manifestations of Australian Libertarianism”, which covered now nearly forgotten episodes such as the John Singleton-supported Workers’ Party and Malcolm Fraser’s alleged interest in Ayn Rand, along with the better remembered stories of think-tanks and rising economic libertarianism within the Liberal Party.

Sawer distinguished libertarianism from conservatism, but by the mid-1980s journalists thought there was an alliance, at least of sorts, between economic liberals and cultural conservatives. A *Bulletin* article in December 1985 remarked that “the New Right is presenting itself as the champion of ‘mainstream’ [sound famil-

iar?] culture”. A table contrasted “leftist orthodoxy” with the New Right “mainstream tradition” across a wide range of issues. About a year later the *Sydney Morning Herald* ran a story called “The New Right: A Users Guide”, which also saw a cultural element, but drew a distinction between the “mainstream new right” and the “economic new right”.

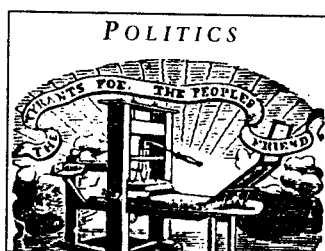
While “New Right” was the most common term in the 1980s, through this period “economic rationalism” was also being used. In an October 1998 *Quadrant* article, Michael Schneider traced the term as far back as 1973, to

Fairfax press praise of the Whitlam government’s tariff cuts and formation of the Industries Assistance Commission. Through the 1990s “economic rationalism” became the preferred name of the pro-market forces, being used in the titles of books in favour (*A Defence of Economic Rationalism*), books against (*Economic Rationalism in Canberra* and *The Trouble with Economic Rationalism*) and books

with contributors from both sides of the debate (*Economic Rationalism: Dead End or Way Forward?*).

Though “economic rationalism” was favoured in the 1990s, as late as 2001 the *Australian Financial Review*’s magazine ran an article about a “New Right” that was by then twenty years old, and there are occasional other uses. But why did “New Right” generally lose out? Apart from the difficulties in calling old things “new”, there were several other reasons why “economic rationalism” came to prevail.

Unlike “New Right”, “economic rationalism” caught on as a term used by economic rationalists themselves. There was never *A Defence of the New Right*, in the way that there was *A Defence of Economic Rationalism*. While many preferred other terms (classical liberal, economic liberal, free marketeer) there



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were people, and I was one, who were prepared to say that they were economic rationalists, even if we also saw ourselves as classical liberals. This gave the term a legitimacy “New Right” lacked.

“New Right” suffered because it couldn’t really explain the politics of the Hawke and Keating eras. While the move towards markets was there, the cultural conservatism was not, and especially under Keating Labor pursued causes that were anathema to cultural conservatives. “Economic rationalism”, by focusing just on the economic, indicated a political alliance restricted to that. And by avoiding any reference to a political philosophy, you could cluster people who supported free markets but were social democrats (for example Paul Keating) and people who were libertarian-leaning in social as well as economic policy (John Hewson) and people who tended towards conservatism in social policy (John Howard). There were also commercial interests less motivated by ideology than by a desire for better business conditions. The New Right overlapped with the economic rationalists, but because it wasn’t the dominant political force its name was used less often.

“Economic rationalism” helped distinguish groups within the right more easily than “New Right”. There were conservatives with some sympathy for the New Right’s cultural agenda, but who were strongly opposed to their economic agenda. Several people who had contributed to a 1982 book called *The New Conservatism in Australia* were in the 1990s fierce critics of economic rationalism. These included Robert Manne, B.A. Santamaria, and John Carroll. Indeed a decade on from *The New Conservatism in Australia*, Manne and Carroll were lining up with leftists like Michael Pusey, Evan Jones and Hugh Stretton in a book on the “failure of economic rationalism”.

This brings us to the last, but by no means least, important reason why “economic rationalism” came to prevail: there was a big campaign run against it—the ideas and the policies, that is, not the word. William Coleman and Alf Hagger recently documented some of this in their enjoyable book *Exasperating Calculators: The Rage over Economic Rationalism and the Campaign against Australian Economists*. Coleman and Hagger use “rage” advisedly—economic rationalism was, to many of its critics, something that so angered them that they made wild and over-the-top charges against the movement and its policies.

Michael Pusey, who was made a Professor of Sociology at the University of New South Wales after publishing *Economic Rationalism in Canberra*, described economic rationalist bureau-

crats as a “locust strike”, and foreshadowed economic rationalism leading to something he rather mysteriously called “totalitarian business democracy”. Hugh Emy—usually a mild-mannered and sensible person, from my experience of him as his student—thought it was a possible threat to democracy, and perhaps involved a “sinister attempt to create a society more conducive to their own power and wealth”. Another academic, David Wells, also thought it was “completely undemocratic” and even partly to blame for the Second World War. In Bob Ellis’s bonkers book *First Abolish the Customer: 202 Arguments against Economic Rationalism*, he warns that economic rationalism “has its roots in slavery and Empire and ... in Mussolini’s fascism”.

Unsurprisingly, having been blamed for or linked to all sorts of undesirable things, “economic rationalism” could, by the century’s turn, be casually associated with a great variety of negatives. A book on social capital blamed economic rationalism for a decline in social trust, due to it encouraging people to be “less co-operative”. A documentary about the decline of Sydney University’s Music Department was taken as an “eloquent cri de coeur against the impoverishment bequeathed by economic rationalism”. An article on leaks in Melbourne’s Burnley tunnel asked whether this was due to “economic rationalism” forcing engineers to take a back seat to the accountants.

Given the negative connotations associated with “economic rationalism”, you’d think that its supporters would want to rebadge, to start again with their core beliefs, free from the often bizarre associations and connections others have created. And indeed the first use of “neoliberalism” I’ve found in an Australian source—a political phrasebook published by the Australian Institute for Public Policy in 1989—was from a source sympathetic to markets.

It did not, however, catch on. From that time, “neoliberalism” has overwhelmingly been used by the left. Apart from the AIPP mention, the earliest Australian occurrence I’ve been able to find was in a letter to the editor published

by the *Sydney Morning Herald* in November 1990. A Trevor Snape of (surprise, surprise) Balmain felt impelled to tell *SMH* readers that “Neoliberal policies have failed and the Government should adopt policies based on traditional Labor principles.”

This was a theme adopted by subsequent users of “neoliberalism”, even if it was Liberal governments they were urging to adopt “traditional Labor principles”. Mick Watson, of the radical left CFMEU, told ABC radio in December 1998 that the federal gov-

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ernment should step in to stop cuts to the price of coal. "They've got an attitude of neoliberalism which is free market philosophy, but realistically the price of coal has now come down to less than the price of top soil and that's absolutely crazy," said Mr Watson. In a ramble published by the *Sunday Age* in September 2001, leftist academic Verity Burgmann informed us that "One Nation was brought to us courtesy of the unleashing of market forces upon rural and regional Australia [remember the cheap coal?] and the Nationals' capitulation to the Liberals' neoliberalism."

LANGUAGE, like the market, is a spontaneous order, and words acquire their meaning from a consensus of users, listeners and readers rather than from a central authority. So I am not suggesting that there is any co-ordinated effort by the left to use "neoliberalism" rather than "New Right" or "economic rationalism". Nevertheless, on the surface at least, it is a bit surprising that it seems to be catching on. After putting so much effort into demonising "economic rationalism" it seems rather silly, from a leftist point of view at least, to have to start all over again with "neoliberalism".

And in any case, what's so new about "neoliberalism"? Arguably the ideas go back hundreds of years. If you ignore that, and take as a starting point the twentieth century's most prominent "neoliberal" writers, men like Friedrich Hayek, Milton Friedman and James Buchanan, you are still dealing with work that is decades old. Even if you take as what's new the emergence of market ideas as a political force, this force was well into its teens before its "neo" title came into widespread use. It wasn't as if—say like "New Right"—it had started as a description of something that was new, and just stuck as the movement matured.

To add further to the mystery, this is not the only "neoliberalism" we have seen in the last twenty years. The first "neoliberals" were American Democrats attempting to rebuild the party after Reagan defeated Carter. While sceptical about big government, they opposed the "neoliberalism", on the later definition, of the Reagan administration. As late as 1999, *The New Fontana Dictionary of Modern Thought* defined "neoliberalism" as simply the 1980s American version, characterised by selective intervention in the economy to restructure it towards new industries, social tolerance, and a desire to find forms of welfare provision that did not lead to dependence.

While, with my limited etymological resources, I can't fully trace the history of "neoliberalism", I will venture some theories about its source and why it seems to be spreading. Two things stand out when you look for uses of "neoliberalism". The first, as I've noted, is that the people who use it are overwhelmingly from the political left

and often, though far from universally, the lunar left. The second is that most of the people who use it are academics (the left and academia are, of course, far from mutually exclusive).

We've already heard from Associate Professor Burgmann, but it is easy to find more examples. For instance, in 1998 a trio of Melbourne University academics wrote a book called *Australian Politics in the Global Era*. This includes a section called "The Ascendancy of Neo-liberal Ideology". Under this heading, they tell the now familiar tale of Liberal Party dries, the think-tanks, and so on, advocating market solutions to Australia's economic problems. In 1999, two academics, this time from Monash University, wrote in the preface to their edited collection *The Kennett Revolution* that "the government's [this was before the October election mishap] relentless application of neoliberal economic theory constitutes a clean break from Victoria's long tradition of social liberalism". In 2000, writing a chapter in *The Politics of Australian Society: Political Issues for the New Century*, Stephen Bell from the University of Queensland argued that "the neoliberal ascendancy is giving new primacy to markets".

These academics are tapping into international usage. The first time "neoliberalism" appears in the Australian Public Affairs Information Service, which monitors a huge variety of Australian publications, is in a 1992 *Australian Left Review* interview with a British academic (unusually for this literature, it is quite a good article). The British left was telling the Australian left about this creed, "neoliberalism".

While increasingly used in Australia, "neoliberalism" remains more common overseas than it does here. It is in recent editions of North American dictionaries, but not the latest edition of the *Macquarie Dictionary*. The English *Oxford Dictionary* has it, but not the *Oxford Australian Dictionary*, published a year later. The National Library's catalogue lists only three local publications with "neoliberal" in the title (four if you count an Australian republication of something by Fidel Castro), while Amazon.com lists more than fifty books for those wanting to know about neoliberalism and its effects.

Amazon.com's catalogue has a small clue about why "neoliberalism" (the word, at least) may be gaining currency in Australia, even if it is yet to make it to the dictionaries. Only one of Amazon.com's books seems to be a strong seller: Noam Chomsky's *Profit over People: Neoliberalism and Global Order*. Wander into a bookshop serving the left and you will see many Chomsky titles. He must be one of the prime suspects in its spread, especially through the academic humanities and social sciences.

WHILE I'VE NEVER bothered with Chomsky, I have had my own little encounter with the term "neoliberalism". I contributed a chapter to the same book as Stephen Bell (mentioned above), co-edited by three left-leaning academics. My brief was to write on the Liberal Party, and in it I described the rise of what I called "economic rationalism". I put this down partly to the "worldwide revival of liberal economics". Perhaps fearing that my audience would not know what I was talking about, it was suggested that "(or neoliberal)" be inserted between "liberal" and "economics". For reasons that will become apparent below, I regret agreeing to this. My excuse is that I had not yet given the implications of "neoliberalism" (the term, not the philosophy) much thought.

My regret is for three reasons. My first is that I think "neoliberal" has less explanatory power than "economic rationalism". "Neoliberalism" implies that policy shifts are due to ideology. While I can see why academics like to think this, because it gives what they produce, ideas, a central role, Australian politics doesn't work that way. Although some people in the broad economic rationalist alliance did read and were influenced by Hayek, Friedman or Buchanan, many would have had no or only a slight familiarity with their ideas. Other players' motivations were typically much more pragmatic, based on a desire to solve the chronic economic problems that afflicted Australia from the 1970s, or at a more micro level, to alleviate the difficulties facing their particular industry.

"Neoliberalism" simply cannot explain the Hawke or Keating governments. While they certainly liberalised some parts of the Australian economy, they were highly interventionist in other areas—we need only think of the Accord and the various industry restructuring plans. This was not an ideological contradiction, because both the liberalisation and the intervention were based on pragmatic assessments of what would work. The only sense in which Hawke and Keating were "neoliberals" was the original American one.

"Neoliberalism" can't explain the Howard government either. What neoliberal would go slow on tariff reduction,

tie up new forms of media in prohibitions and restrictions, or reform the tax base so as to ensure long-term growth in tax revenues? Like its Labor predecessors, the Howard government sees a role for markets, but takes a pragmatic rather than an ideological approach. "Economic rationalism" is the better term for both governments, because it leaves a place for liberal institutions, but puts them in their historical context of the pragmatic needs of democratic governments facing a variety of pressures.

My second cause for regret is that, while being new is sometimes good, "neoliberal" strikes me as an attempt to disassociate market liberals from the positive connotations of the word "liberal". Through links with bad things and contrasts with good things anti-neoliberals often try to make neoliberalism appear unattractive. As we have seen, neoliberalism's opponents link it to "failed" economic policies and the rise of One Nation. The editors of *The Kennett Revolution* contrast "neoliberal economic theory" with "social liberalism", as if neoliberalism was anti-social. My favourite in this category comes from the novelist Mario Vargas Llosa, himself a liberal. In one of his essays on liberalism he tells the story of a little Spanish town, El Borge, holding a plebiscite on whether its citizens preferred "humanity" or "neoliberalism". The vote was 515 for humanity and 4 for neoliberalism. As Vargas Llosa says, it is hard to know whether these were four clowns or four sages. The intentions of those who conducted the plebiscite are much less ambiguous.

My third cause for regret about "neoliberal" appearing in my chapter is that while it doesn't describe an Australian reality, it does describe the people who use it. Using "neoliberal" is code for "I am a left-winger who does not like markets". It is a leftist version of the secret handshake; a signal that the reader is with fellow travellers. It is especially useful for academics seeking overseas recognition and the globalised anti-globalisation movement. "Economic rationalism" just wouldn't be understood by their international readers. I am a liberal who likes markets, but I have mistakenly signalled that I am a leftist. I just hope the rest of my chapter was so obviously sympathetic to liberalism and markets that there is no confusion. □