

(published in the newsletter of the Political Sociology section of the ASA, Summer 2007)

Does Adversarialism Cause Neoliberalism?

Comments on *The Politics of Free Markets* by Monica Prasad

Isaac Martin

1.

The Politics of Free Markets (Prasad 2006) is a major contribution to political sociology. It addresses a central mystery in the field: why did the rich democracies suddenly embrace neoliberal policies in the last decades of the twentieth century—cutting taxes, abandoning welfare commitments, and reducing the state’s control over industry? And it does not pin the blame for neoliberal policies on the usual suspects—globalization, the strength of business, the weakness of labor, or the power of an idea whose time had come—but instead on a most unlikely suspect: democracy. These countries adopted neoliberal policies because those policies proved popular with the electorate.

The book displays the results of a prodigious research effort on neoliberal initiatives, including primary textual research and interviews on three policy domains in each of four countries. Prasad follows the efforts of policy makers in the United States, Britain, France, and Germany during the period from 1973 to 1989 to make the tax system more regressive, decrease government control of industry, and cut public spending for major welfare programs. In the

United States and the United Kingdom, she argues, these proposals succeeded early and often. In France and Germany, by contrast, successes were few, delayed, and partial.

Prasad traces this divergence to the institutional structure of the postwar political economy. In France and Germany, corporatist bargaining and the delegation of policy to non-partisan experts fostered cooperative decision-making (p. 23). Governments furthermore lavished generous subsidies on everyone, especially the middle classes. This model of “political economy as nation-building” proved resilient because its policies were popular. Politicians could not do much to limit the state’s role in the economy, because the voting public would not stand for it.

In the U.S. and Britain, the postwar political economy rested on adversarial decision-making structures—including conflictual union bargaining and government by alternating single-party cabinets of the Left and Right. These states also implemented adversarial policies that pit business against labor and the middle class against the poor. This model of “political economy as justice” was sustainable only as long as the beneficiaries of redistribution were in the majority. But economic growth eroded this majority until most of the voting public no longer perceived itself to benefit from redistribution (p. 280).

Neoliberalism arose as an electoral strategy to appeal to this public. Political entrepreneurs and demagogues sought out and exploited the dissatisfaction of the newly affluent majority in order to get elected. Prasad’s argument on this point is *not* that the policy preferences of the median voter determined policy. The public’s policy preferences are often weakly held, incoherent, and unknown to policy makers (p. 268). But majorities were clearly dissatisfied with the status quo, and politicians sought out and exploited this dissatisfaction in order to get elected. Although voters did not spontaneously demand tax cuts, deregulation, privatization, or social

spending cuts (see, e.g., p. 46), all of these policies proved to be popular. Neoliberalism is a tyranny of the majority.

This provocative argument challenges the assumption of political theorists from Aristotle onward that greater democracy will lead to greater redistribution. It also challenges a literature on globalization that sees neoliberal policy as evidence for the power of business to subvert democracy. At least in the first world, Prasad argues, neoliberalism succeeded where it *was* the democratic alternative.

2.

But what is neoliberalism? The book's definition is unconventional, and perhaps also inconsistently applied. Consider tax policy. The book defines neoliberal tax policies as those that "favor capital accumulation over income redistribution" (p. 4). This definition seems to imply flat income tax rates, and low tax rates on capital income. But by this definition, France would seem to be a neoliberal success story: according to the data presented in the book, the average effective tax rate on capital income in France even before Jacques Chirac came to power was less than half of what it was in Britain after ten years of Margaret Thatcher's neoliberal revolution (p. 30).

So maybe a neoliberal tax policy is a tax cut that *reduces* tax rates on high incomes and income from capital. This description certainly applies to Prasad's American case, the Economic Recovery Tax Act (ERTA) of 1981, which cut income tax rates, indexed brackets for inflation, and filled the tax code with special tax breaks for specific industries and firms (p. 59). But it is hard to argue that ERTA had anything to do with free markets. It introduced new tax breaks that

protected ailing industries from the market and favored inefficient investments. According to estimates at the time, the resulting waste would cost the economy \$3-5 billion per year (Gann 1985). The other major tax acts of Reagan’s presidency, particularly the Tax Reform Act (TRA) of 1986, were partly efforts to undo these market distortions and repeal the ERTA tax breaks. So was ERTA really neoliberal?

These matters of definition are important because a different definition—with correspondingly different cases—would suggest different inferences about the causes of neoliberal policy. Had the book examined the TRA, for example, it would have qualified the argument that resentment of progressive taxation was what won the middle class over to the side of neoliberalism. The public was not concerned about heavy taxes on the rich. To the contrary, policy-makers seem to have been more worried about the public perception that the rich were *escaping* taxation (Conlan, Wrightson, and Beam 1990).

3.

This brings me to my second question: what exactly is adversarial about “political economy as justice”? Many things get called adversarial in this book, including conflictual union bargaining, coalition-averse governments, means-tested welfare policies, progressive taxes, and punitive business regulations (p. 24). It is worth asking whether all of these things really belong together under a single heading, and how we might know adversarialism when we see it.

Prasad tells us that we may recognize adversarial policies by the fact that they create conflicting incentives for different groups (p. 35). But this describes most policies. Progressive

income taxes, e.g., fall more heavily on the rich, who are in higher tax brackets; sales taxes fall more heavily on the poor, who consume a greater share of their income. In both cases we might predict conflict. In neither case is it immediately obvious which side the people in the middle of the income distribution will take.

We may also recognize adversarial policies, Prasad tells us, by how they structure the flow of information. Sales taxes, e.g., are non-adversarial in part because they are “invisible”—meaning that taxpayers do not receive a notice reminding them of the total sales tax bill every year (p. 243). But are taxpayers really deceived? One recent study suggests that people are more likely to *overestimate* their sales tax burdens than their income tax burdens (Gemmell, Morrissey, and Pinar 2003). Another study finds that a sales tax increase is *more* likely than any other kind of tax increase to cost the incumbent party votes (Landon and Ryan 1997). And new comparative data from thirteen countries, including Prasad’s cases, suggest that sales taxes are, in fact, the *most* likely to provoke collective protest (Martin and Gabay 2007).

As this example illustrates, it is not always immediately clear which policies and structures are adversarial—and so it is unclear whether adversarialism is really what distinguished the U.S. and Britain from France and Germany.

4.

These criticisms address Prasad’s argument about *why* neoliberal policies were perceived to be popular in the U.S. and Britain. But they do not touch what I take to be the core argument of the book: that politicians introduced neoliberal economic policies in the rich countries because they thought these policies *were* actually or potentially popular with voters. I am persuaded that

this hypothesis is right, at least as applies to these policy domains in the rich countries. And I look forward to other scholars testing its application more broadly, in other policy domains and other countries.

The role of ideas in the rise of neoliberalism:

Comment on *The Politics of Free Markets* by Monica Prasad

Greta Krippner

In reading Monica Prasad's accomplished new book, I was reminded of a comment Philip Abrams made in diagnosing the many obstacles to studying the state. Abrams wrote, "Any attempt to examine politically institutionalized power at close quarters is...liable to bring to light the fact that an integral element of such power is the...ability to withhold information, deny observation, and dictate the terms of knowledge" (1988, p. 62). Even more troubling, Abrams noted, is that when official secrets are finally revealed, they often "turn out to be both trivial and theoretically predictable."

In view of such difficulties, Prasad's *The Politics of Free Markets* offers hope that sometimes persistence and tenacity pay off. This exhaustively researched book delves into the world of official secrets and produces findings that are far from theoretically predictable, and hardly trivial in their implications. The most remarkable feature of the book is perhaps its ambitious scope: this account of the rise of neoliberal economic policies examines four countries and three policy areas. Comparative historical researchers handling this many cases tend to shy away from primary research, letting insights come not from materials unearthed in archives, but from an elegant comparative design. The elegant design is here—Prasad skillfully works between her cases in order to draw attention to theoretical anomalies—but so too is an astonishing amount of primary research.

While Prasad's cases are complex, the thread of her argument never unravels, but provides a coherent framework for this well organized book. Put simply, the thesis of the book is that divergent paths to neoliberalism are best explained by the intersection of politics and policies. More specifically, Prasad argues that the adversarial politics of the United States and Britain allowed a radical version of neoliberalism to take root; in the absence of similar cleavages in West Germany and France, political actors in those countries were unable to use neoliberal policies to mobilize electoral constituencies in their favor. As a result, the neoliberal policies implemented in the Continental economies were generally of a milder, less aggressive sort. These differences in political climate were reinforced by the nature of policy regimes in each country, with divisive policy legacies in the United States and Britain making those countries vulnerable to radical innovation, whereas corporatist traditions and a pro-growth bias in West Germany and France resulted in more stable social structures.

As a proponent of "state-centered" research, Prasad's analysis of neoliberalism privileges factors such as the permeability of state institutions to new political actors, the structure of systems of party competition, and the design and implementation of specific policy programs. That these factors made an important difference in determining the shape of neoliberalism is utterly compelling; that they did so at the *exclusion* of broader societal factors, as Prasad wants to argue, is less so. Among the "society-centered" explanations that Prasad examines—and rejects—are the roles of globalization, business power, and national culture in shaping neoliberalism. But the most important "society-centered" explanation—and the one that Prasad deals with in the most sustained fashion—is the rise of neoliberal ideas, particularly those associated with supply-side

economics and monetarism. While Prasad's argument merits careful consideration, the separation that Prasad imposes between ideas and institutional practices is not, I believe, well suited to an analysis of neoliberal politics.

Prasad makes three principle arguments in order to suggest that ideas were not central in determining the course of neoliberalism. She notes first that ideas associated with both supply-side economics and monetarism were not reputable or widely adhered to in the academy. Second, Prasad argues that ideas associated with both supply-side economics and monetarism were *malleable*, having gestated for many years before they were appropriated by neoliberal policymakers. Finally, Prasad observes that *the same set of free market ideas* produced quite different effects—huge deficits in one context, fiscal restraint in the other—in the United States and Britain. Thus, Prasad argues that supply-side economics and monetarism did not *cause* the Reagan Revolution or Thatcherism; rather, these political movements used supply-side and monetarist rhetorics to justify and rationalize their objectives.

These are rather stringent conditions for asserting the causal efficacy of ideas in the rise of neoliberalism. Stating Prasad's propositions in the affirmative, she requires first that ideas be successful in the academy in order to be efficacious more broadly. If only it were so! In fact, academic ideas and popular conceptions often diverge—with popular notions frequently assuming greater weight in shaping social action. Prasad takes the fact that monetarist theory was never practiced in "pure" form in the British context as indicating that monetarist ideas were not central in shaping neoliberal economic policies. But the fact that academic ideas rarely enter policy streams in pure form, but are transformed as they encounter competing sets of ideas, is *not*

an argument that ideas are inefficacious. There is no requirement that ideas be self-contained, coherent, or even “true” in order for them to have effects that we can trace and analyze (see for example Somers and Block 2005).

Prasad’s second proposition suggests that in order for an idea to be considered efficacious the direction of influence should be from idea to political actor, not from political actor to idea. In this regard, Prasad notes that politicians opportunistically appropriated ideas associated with supply-side economics and monetarism *for their own purposes*. As such, Prasad argues that ideas should not be regarded as causal, since they were themselves the object of manipulation. Here Prasad seems to be on solid ground: standard social science methodology asserts that statements of causation require establishing the directionality of influence. But lurking underneath this familiar formulation is an overly restrictive notion of the way in which ideas shape social outcomes. The fact that politicians deploy ideas strategically for electoral advantage does not mean that those ideas exert no constraints on policymakers. In short, ideas and political actors may influence each other in *both directions*.

This leads to Prasad’s third and final point: in order to be considered efficacious, ideas should exert their influence in a uniform manner across different cases. This position is implicit when Prasad argues against the role of ideas by noting the fact that *the same set of free market ideas* produced different outcomes in the United States and Britain. But this conclusion does not follow from the points I have just made. That is, if ideas do not exist in “pure” form but are transformed by their encounter with other ideas as well as with political realities on the ground, then we should not expect the “same” set of ideas to have equivalent effects independent of

context. Rather, these effects will vary with distinct institutional conditions in historically contingent ways. This of course does not imply that ideas are unimportant in shaping outcomes, merely that their influence should not be understood as deterministic.

To summarize, Prasad's argument against explanations that place emphasis on the role of ideas in shaping neoliberal policies implies too sharp a separation of ideas from institutional practices. A similar observation might also apply to the broader separation between state and society that anchors Prasad's argument. There is an irony in the rigid distinction between state and society posed by Prasad's analysis: neoliberalism as a political logic is itself organized around this very distinction. As Mitchell (1999, p. 83) has argued, maintaining the boundary between state and society (as is also true of the analogous distinction between state and economy) is a critical source of power in contemporary capitalism. In this sense, one might argue that attempts to penetrate neoliberal politics should account for, rather than merely assume, the binary form in which state and society appear. While this is not a task that Prasad herself takes up, her careful analysis of neoliberalism provides many insights that could be useful for such an endeavor. Put simply, this important book is the most comprehensive account of neoliberal economic policies available in the current literature. As provocative in its arguments as it is systematic in its use of data, Monica Prasad's *The Politics of Free Markets* has much to offer students of neoliberalism.

Johanna Bockman

The Unexpected Ideas of Economists

Response to Monica Prasad's *The Politics of Free Markets*

I found Prasad's book very refreshing. Prasad argues that national political structures and the policy process shape the realization of neoliberal policies. She examines three kinds of neoliberal policies – tax cuts, welfare spending, and industrial policy – that were implemented in the 1980s in Britain, France, West Germany, and the United States. By examining these three kinds of concrete policies, she dispels stereotypical images of countries, such as the image of the United States as neoliberal and pro-business and France as collectivist and egalitarian. Instead, Prasad finds that the United States has had progressive taxes, anti-business regulations, and targeted welfare policies, while France has had regressive taxes, pro-business regulations, and universal welfare policies. The United States and Britain implemented stronger neoliberal policies than France and Germany because of adversarial politics and policies. In the United States and Britain, the progressive taxes, anti-business regulations, and targeted welfare policies created a division between the beneficiaries and the victims of these policies, which encouraged political entrepreneurs to exploit the discontent of the growing numbers of upwardly mobile victims of these policies. In France and Germany, their less adversarial policies led to less adversarial politics and weaker neoliberal policies. Prasad's revelations about political structure and policy process make an important contribution to the history of neoliberalism.

While she argues against a variety of “society-centered” explanations for neoliberalism, such as national cultures, globalization, and business group pressures, Prasad’s main opponent is the idea-centered explanation. According to Prasad, ideas are not the cause of neoliberalism because they are self-contradictory, malleable, and develop over time through the policy process. I find her approach an important corrective to scholars who accept the victorious declarations of the Right as reality. In her analysis, the ideas of the Right were not fully developed before Thatcher and Reagan, but rather developed through the policy process. Despite her rejection of idea-centered explanations, her approach in fact complements these explanations. Ideas (such as tax cuts), experts (including economists), and institutions (such as the Mont Pelerin Society or universities) where experts develop ideas are important to Prasad’s argument, though the analysis would have benefited from a systematic analysis of these ideas.

Prasad finds that academic economists did not support neoliberal policies. My research agrees with this view. I study economists in Hungary, Italy, and the United States. Why do I study economists? I study them because in the post-1945 period economics became the predominant training for government officials worldwide. I also study economists and their professions because many studies of neoliberalism assume that all economists particularly those in the United States shared neoliberal free market views of the Reaganite sort and this in fact is not true. Most economists in the Cold War period were not committed to being ideologues for the Right, but rather supported a range of political views and actually did academic research following a range of paradigms and traditions. The economists I study at top American universities knew their Marxism, Maoism, and market socialism. The view of the economics profession as unified in its

support of neoliberalism is the result of factions within the profession making this argument to constituents outside the profession.

I study economists not only to reveal the weaknesses of simplistic arguments about American cultural imperialism, but also to show the importance of economists' research to policy. Prasad shows how politicians watched neoliberal experiments in other countries. They watched these experiments not only for strategic reasons, but also because these experiments created new knowledge about capitalism (Bockman and Eyal 2002). Evolving capitalism required new knowledge about capitalism: What were the essential elements of capitalism? What institutions do markets require? What does post-Fordist capitalism require? Knowledge about capitalism did not already exist, but has always developed over time, as Prasad suggests in her four case studies. The market experiments in Eastern Europe were particularly important because knowledge about Western capitalism and the Other – Soviet socialism – developed within a liminal space between and within these two categories. Even Milton Friedman (1998) spent time in Yugoslavia because he was interested in worker self-management as an alternative to state initiatives (pp. 423-424). Economists' knowledge about capitalism and socialism provided important information for politicians and their think tanks for exploitation and for understanding.

Prasad fascinatingly reveals wide ranging public discontent with the status quo. She interprets this discontent within a policy spectrum that moves from state intervention to free markets, and from left to right. I would suggest that the artificial Cold War dichotomies of right and left should also be dispelled. Each side in the Cold War worked hard to maintain the distinctions between each side, and after 1989 neoliberal politicians

rewrote history stating that Western capitalism and Soviet communism were always polar opposites and Western capitalism was the victor. However, scholars have recently shown that the United States and the Soviet Union had many similarities, sharing similar “dreamworlds” arising from the Enlightenment ideals of progress and control (Buck-Morss 2002), a common fascination with planning (Engermann 2004), state support of big science, and the cooperation of science and the military (Bernstein 2001; Gerovitch 2002). I study politicians and intellectuals in Western Europe, who sought to create a space outside the Cold War dichotomies between state and market, Soviet communism and American capitalism. Italian anti-Communist socialists criticized the Soviet Union, state intervention in the market and in society more generally, and identified strongly with dissidents in Eastern Europe. The West European left had the interest, skills (language skills and experience working in the East Bloc), and ability to travel to the East Bloc that would allow them to work with East European dissidents. We can see the anti-state left inspired by Gramsci’s call for a self-governing society, the long-term interest in liberal socialism in Italy, and anarchist traditions. I would thus add to Prasad’s analysis that France and West Germany did not have the strong neoliberal policies of the US and the UK also because they had left-wing political alternatives to the state-interventionist left and thus the left and the right could both shape the anti-state discontent of the public. While shaped through the policy process and political structure in all these countries, the neoliberal narrative was controlled by the Right at least in the United States, which could use it to convince the disgruntled public that only the Right could realize a true alternative.

Prasad is quite right to privilege the role of politics. Right-wing politicians interpreted the “evidence” and the anti-state public discontent from Eastern Europe, Western Europe, Latin America, and other countries as support for Thatcherist and other programs that erased their left-wing origins. The ideas, their promoters, and idea-generating institutions also remain important to the shape that neoliberalism took. I would argue that neoliberalism latently retains its left-wing origins – the hope for the end to oppressive states, the realization of a radical left liberated from the Soviet Union, and the empowerment of civil societies or more radical associations of individuals –, as well as the hopes of more conservative forces around the world. The heterogeneous origins of neoliberalism likely intensify the difficulties we find in defining neoliberalism.

Prasad makes an important contribution to the history of neoliberalism. Her broad-ranging knowledge of each of her cases makes the case for the centrality of the domestic political structure and policy process to the history of neoliberalism. Her work also powerfully complements idea-centered analyses. We are very lucky to have Prasad’s work, which offers and will inspire new ways of understanding the origins and the future of neoliberalism.

Response to Responses

Monica Prasad

Department of Sociology

Institute for Policy Studies

Northwestern University

It is a great pleasure to have three scholars as insightful as Isaac Martin, Greta Krippner, and Johanna Bockman give such a careful reading to my book.

Perhaps authors are always surprised by how their work is received; I was very surprised that these readers thought my “main opponent is the idea-centered explanation.” My intention in the book was to give equal time to four alternative explanations of neoliberalism that one finds in the literature: the other three are that neoliberalism was the result of the power of business groups; that neoliberalism occurred in the U.S. and the Britain, but not in France and Germany, because these countries represent different “varieties of capitalism”; and that neoliberalism happened where a country’s national culture happened to be favorable to it. I also discuss globalization briefly. I take pains to make this point because there may be readers wondering how a book on neoliberalism could ignore the recent discussion of the distinct varieties of capitalism (treated at length in chapter 3) or national culture (treated in chapter 4) or globalization (treated in the introduction).¹

¹ I would like to take this opportunity to apologize for a mistake in the introduction: in Figure 9B, the value of “0” for France 1968 reflects missing data, not absence of strikes. This was not explicitly labeled in the book, resulting in a misleading graph: in fact, of course, France experienced the largest wave of strikes in

But, since it's ideas that has struck this particular group of readers, let's talk about ideas.

The specific claim I am examining is that the causal force behind the rise of neoliberalism was the rise of a set of ideas about how the market works. This is what I understand as “the ideas explanation” of neoliberalism. So I first try to show that the ascendance of these ideas was in fact limited, and was confined to the fringes of academia. I look at economists in particular because there is a folk theory of neoliberalism that sees it as emanating from economists. Indeed, a cottage industry is developing in sociology on the study of economists, on the assumption that economists have considerable influence on policy and the social world. I wish I could be as confident as Krippner is that the claim these scholars are making—that we need to take economists' influence seriously—is obviously false. To me it seems necessary to assess this claim empirically, and therefore it seems necessary to point out that, at least in this important case, economists were the puppets, and it was politicians pulling the strings.

But perhaps what really matters is the ascendance of the ideas among the public; this would modify what I above called “the ideas explanation” to this claim: “the causal force behind the rise of neoliberalism was the rise of a set of ideas about how the market works *in the public at large*.” We have recently seen the resurgence of the argument that neoliberalism occurred because the public at large became convinced of neoliberal ideas (Somers and Block, 2005). While there was indeed a shift in public opinion in favor of

its history in 1968, which did not make it into the official statistics precisely because of its size and political sensitivity. I am very sorry for this error.

neoliberalism in some domains in the US and UK in the 1970s, we cannot conclude that this was the result of the power of neoliberal ideas: those ideas were also present in France and West Germany, as I show in the book, but they did not have the same power over the public. This means that the presence of the ideas alone does not dictate their success, as conceptualizations of the “ideas” explanation which focus on the internal power of ideas suggest². The question is why public opinion was more receptive to neoliberalism in some places than others, and that requires us to look at the broader context within which the attempts were made. The shift in public opinion, in other words, is the result of whatever it is that is actually causing neoliberalism.

But even if the ideas were not the original causal push, maybe the ideas were still *necessary*, in that if the ideas had not been available when the politicians sought them out, neoliberalism would have failed for lack of ideological cover. The claim is now that “the causal force behind the rise of neoliberalism was the *existence* [not necessarily the rise] of a set of ideas about how the market works.” If this is the case, then when the ideas don’t exist, neoliberal policies should not be possible.

To assess this, consider what happened in Britain in the case of privatization: in that case, the ideas didn’t exist. There was no economic justification for the privatization of the large public utilities—indeed, there was justification for retaining them in the state

² See e.g. Somers and Block, 2005. Somers and Block do identify two structural conditions as necessary to the success of the idea: crisis in the existing regime, and a battle of ideas. Both seem to have been present in France and Germany at this time. (They mention a third structural condition—“the once ‘extremist’ market fundamentalist competitor has to gain a new mainstream legitimacy by establishing itself as the only possible solution to the now teetering old regime” (266)— but this seems in fact to be the dependent variable.)

sector--and what happened is that the politicians *invented* the ideas they needed. When the politicians saw how popular privatization seemed to be, they developed a rationale for it. Ideas don't really seem to be necessary either; if they don't exist, they get invented.

But perhaps an idea, even if it is not the source of the original push for the policy, and even if it is not necessary, can be constraining. Perhaps it can develop a *sui generis* existence and exert a causal influence that way. That is, "the causal force behind the persistence [not necessarily the rise] of neoliberalism was the existence of a set of ideas about how the market works." In the British case it is clear that the idea of monetarism did not exercise such a constraint. The Treasury, which had always privileged the idea of balanced budgets, continued to privilege the idea of balanced budgets, by simply *redefining monetarism to mean balanced budgets*—over the strong *opposition* of Milton Friedman and the original developers of the idea. Balanced budgets are what had been done in the absence of the idea, and balanced budgets are what were done in the presence of the idea. The idea did not do anything to constrain the policy.

Britain is only one case, of course; but it is the one where the "ideas" explanation of neoliberalism has been most commonly given, which is why I focus on it when considering this issue in the book.

I said I understood the "ideas" explanation as the specific claim that the causal force behind the rise of neoliberalism was the rise of a set of ideas about how the market works. Krippner and Bockman both give examples of other ways in which ideas might

matter. I find this interesting, but I must admit that at this point, I begin to wonder if we are really talking about ideas or causation any more. For example, it seems to me that showing that economists participate in international networks, as Bockman does, is not the same thing as showing that economists' ideas influence policymakers. Krippner thinks my conditions for showing causation are too strict; but the conditions are implicit in the claim. If we want to claim that "ideas...have effects that we can trace and analyze," as Krippner does above, then that what's we need to show: that ideas have effects that we can trace and analyze. That is, we need to show that an analytically identifiable thing called an idea can have a causal effect that we are able to identify on some other thing. (Nothing in this conceptualization excludes probabilistic effects or two-directional effects.) But if on the other hand we want to say that ideas cannot be separated from institutional practice, it is logically incoherent to then claim that ideas can have a causal effect separately from institutional practice. That *neoliberal* ideas in particular—ideas about how the market works—caused neoliberal policies is a very strong and quite precise claim; it should either receive a precise defense, or it should be abandoned.

If I understand it correctly, Krippner's injunction to "account for ... the binary form in which state and society appear" means that the state is really controlled by (or is) a set of interests who manage to make it seem that the state is something separate from these interests. I address arguments about the behind-the-scenes power of capital in chapter 1. Krippner's phrase may also mean that practices that no one really controls determine or influence policy. This does not seem to be in contradiction to my arguments, or in

contradiction to a historical institutionalist perspective; for example, differences in the micro-practices of tax collection—one of the techniques by which the state is instantiated in everyday life as something separate from society—are important elements in my causal story. The history of these practices is fascinating, but it is a separate question from the question of their consequences on policy. (Moreover, this history does not go in the direction Krippner expects: one of the people most responsible for introducing income tax withholding in the U.S.—a technique that makes the state’s revenue demands less visible, and therefore blurs the line between state and society that Krippner thinks neoliberals try to sharpen—was Milton Friedman).

Martin’s criticisms, briefly: I am looking at policy *change*, which is why the absence of large tax cuts in France during the period I investigate puts it in the low neoliberalism camp (this is, indeed, precisely the point: there was little neoliberalism in France in this period because France was already surprisingly neoliberal); I consider ERTA to be neoliberal because it was and still is the largest tax cut in American history, thus “favoring capital accumulation over income redistribution” (the TRA was intended to be revenue neutral, neither raising overall taxes nor lowering them³; and opposition to progressive taxation waned in the 1980s *because* of ERTA, while the TRA arose partly in response to ERTA). Martin’s note that sales taxes in fact lead to greater protest is fascinating, but puzzling: the most sustained work on tax backlash to date (Harold Wilensky’s) finds the exact opposite, and politicians in these countries clearly believed

³ Whether efficiency rather than capital accumulation should be what defines neoliberalism is an important question, but not one for which there is space here; briefly, I prefer the latter as it seems to capture our sense of neoliberalism being not only about efficient markets, but the withdrawal of the state in general, even if that withdrawal is uneven (and therefore market-distorting). Also see ch.4 for a discussion of the distinction between neoliberal policies that favors capitalists and neoliberal policies that punish them.

that sales taxes were less likely to generate protest. Martin's own continuing work on this will shed light on the issue soon. Martin rightly asks for a better a priori definition of adversarialism, so let me give one: adversarial policies are policies that create conflict between business and state, or that aim to redistribute from rich to poor.

Finally, Bockman wonders if the absence of an anti-state left in the US and UK helped to shape the outcome; chapter 1 of the book presents the case for the emergence of an anti-state left in the U.S. in the 1960s, but it is true that this faction may have been weaker in the US and the UK than in France and Germany. This does not seem in contradiction to my arguments: while my argument is that the left in France and Germany was not *able* to use the state against capital, it is possible that the left in these two countries was also less *willing* to do so.

The biggest surprise for me in the responses was that they passed over largely in silence what I thought would be the most controversial claim in the book, certainly the claim that was the hardest-won insight for me: that the US and UK have had policies that are more punitive to business and the wealthy than France and Germany. So while I look forward to the work that others will do on how ideas might matter, my hunch is that the greatest payoff in the study of neoliberalism will come not from questions of this sort, but from broader historical engagement with the curious fact that instead of loving the market, Americans and Britons have in fact seemed to be the ones who hate it the most, in the sense of passing punitive and adversarial policies on business and the wealthy. I hope that the book convinces readers that we ought to be paying attention to this phenomenon,

and I hope also that in the next generation of scholars will be a few who are able to do a better job of clarifying it than I was able to do.

Sources Cited in the Symposium

- Abrams, Philip. 1988. "Notes on the Difficulty of Studying the State." *Journal Of Historical Sociology* 1: 58-89.
- Bernstein, Michael. 2001. *A Perilous Progress: Economists and Public Purpose in Twentieth-Century America*. Princeton, NJ: Princeton University Press.
- Bockman, Johanna and Gil Eyal. 2002. "Eastern Europe as a Laboratory for Economic Knowledge: the Transnational Roots of Neoliberalism," *American Journal of Sociology* 108(2): 310-352.
- Buck-Morss, Susan. 2002. *Dreamworld and Catastrophe: The Passing of Mass Utopia in East and West*. Cambridge, MA: The MIT Press.
- Conlan, Timothy J., Margaret T. Wrightson, and David R. Beam. 1990. *Taxing Choices: The Politics of Tax Reform*. Washington, D.C.: Congressional Quarterly Press.
- Engerman, David. 2004. *Modernization from the Other Shore: American Intellectuals and the Romance of Russian Development*. Cambridge, MA: Harvard University Press.
- Friedman, Milton and Rose D. 1998. *Two Lucky People: Memoirs*. Chicago: University of Chicago Press.
- Gann, Pamela B. 1985. "Neutral taxation of capital income: An achievable goal?" *Law and Contemporary Problems* 48:77-149.
- Gemmell, Norman, Oliver Morrissey, and Abuzer Pinar. 2003. "Tax perceptions and the demand for public expenditure: evidence from U.K. micro-data." *European Journal of Political Economy* 19.

- Gerovitch, Slava. 2002. *From Newspeak to Cyberspeak: A History of Soviet Cybernetics*. Cambridge, MA: The MIT Press.
- Landon, Stuart and David L. Ryan. 1997. "The Political Costs of Taxes and Government Spending." *Canadian Journal of Economics* 30:85-111.
- Martin, Isaac and Nadav Gabay. 2007. "Do Visible Taxes Cause Protest? Tax Institutions and Tax Protest in 13 OECD Countries." Unpublished working paper, U.C. San Diego Department of Sociology.
- Mitchell, Timothy. 1999. "Society, Economy, and the State Effect." Pp. 76-97 in *State/Culture: State Formation after the Cultural Turn*, edited by George Steinmetz. Ithaca: Cornell University Press.
- Prasad, Monica. 2006. *The Politics of Free Markets: The Rise of Neoliberal Economic Policies in Britain, France, Germany, and the United States*. Chicago: University of Chicago Press.
- Somers, Margaret, and Fred Block. 2005. "From Poverty to Perversity: Ideas, Markets, and Institutions over 200 Years of Welfare Debate." *American Sociological Review* 70: 260-287.