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21. Liberalism

Adrian Pabst

INTRODUCTION: COMPETING ACCOUNTS OF LIBERALISM

Until the global economic crisis struck in 2008, liberalism was the dominant ideology of our time and undoubtedly the most influential political philosophy of the last 300 years or so. Its origins, evolution and meaning are deeply contested by liberal and non-liberal thinkers alike. Many contemporary historians and political philosophers claim that liberal thought first emerged in the late sixteenth or early seventeenth century and evolved into a distinct philosophical tradition during the Age of Enlightenment (e.g. Mesnard 1969; Kelly 2005, Paul et al 2007). Thus, key liberal figures such as John Locke (1632–1704), Jean-Jacques Rousseau (1712–1778) and Immanuel Kant (1724–1804) opposed what they viewed as the unholy alliance between the Church, absolutist monarchs and the feudal capitalism of the landed gentry. They defended alternative ideas such as freedom of religion, tolerance, constitutional rule, individual property and free trade. These antecedents were important, but – so the dominant narrative goes – liberalism's evolution as an ideology and political movement only took off following the impact of the American and the French Revolution. Thereafter the liberal tradition was instrumental in the 'three waves of democratization' (Huntington 1991). The first wave saw liberal governments triumph in much of Europe and the Americas in the nineteenth and the early twentieth centuries. The second wave after 1945 rolled back some of the authoritarian regimes of the interwar period and also coincided with de-colonisation, while the third wave after 1974 overthrew the military dictatorships of Southern Europe and Latin America and later the Communist regimes of the eastern bloc. Based on the fundamental principles of liberty and the equal rights of all, most advocates of liberalism defend political freedom, economic opportunity, social emancipation and equality before the law (e.g. Gray 1995, 2004).

However, recent genealogical accounts suggest that the roots of liberalism go back to the late Middle Ages and the early modern age (Manent 1987; Dupré 1993). As a variety of theologians, philosophers and political theorists have argued (e.g. Milbank 1990; de Muralt 2002; Coleman 1999), notions such as individual subjective rights, popular sovereignty and national autonomy can be traced to shifts within theology, politics and law that were pioneered by key figures like John Duns Scotus (c1265/66–1308), William of Ockham (c1248/49–1349) and Francisco Suárez (1548–1617). Thus, core liberal principles are unintelligible without reference to late medieval and modern theological debates and ecclesial-political transformations. Similarly, modern categories such as the rule of the 'one' or the 'many' (associated with the political 'right' and 'left' since the French Revolution) and ideas like individual self-determination or the general will ultimately rest on nominalist and voluntarist theories that originated in the late Middle Ages (Pabst, 2010a). Even the values of liberality (e.g. fair detention and trial, presumption of innocence, *habeas corpus*, etc.) that liberalism purports to uphold were in reality

the product of infusing Roman and Germanic law with Christian notions of justice and charity that liberals took over but did not invent (Milbank 2006). As such, the liberal claim to universal validity seems to be a secularised version of religious claims to universal truth.

These two rival accounts of the origins and meaning of liberalism show just how contested the liberal tradition is. This chapter discusses both liberal and non-liberal perspectives on liberalism. It begins by suggesting that there is no single essence that defines all visions of liberalism. Rather, one can identify four 'family resemblances' that characterise seemingly incompatible variants of liberal thinking. The second section outlines the main ideas of key early modern liberal thinkers, including Locke, Rousseau, Kant and J.S. Mill. The third section turns to alternative genealogies that trace the roots to the late Middle Ages and highlight profound continuities between Scotus, Ockham, Suárez, Machiavelli and Hobbes and contemporary liberal thinking (e.g. John Rawls). The final section explores recent debates, notably on social and economic liberalism as well as the much disputed notion of neo-liberalism.

LIBERALISM: ETYMOLOGY AND 'FAMILY RESEMBLANCES'

Liberalism derives from the Latin word *liber*, which means 'free'. Originally referring to the education worthy of a free person in Antiquity (*studia liberalia*), the notion of the 'liberal arts' described the study of the seven classical subjects (*artes liberales*) at Roman and medieval universities, the *Trivium* (grammar, logic, rhetoric) and the *Quadrivium* (arithmetic, geometry, music and astronomy) – as opposed to the *artes illiberales* that were for economic not scientific purposes. Politically speaking, the term 'liberal' referred to the status of 'free' citizens and peasants (as opposed to slaves or serfs). Much later, the term 'liberal' entered the political lexicon in connection with rival political traditions (e.g. Whigs and Tories in eighteenth-century Britain). In the late eighteenth century and early nineteenth century, 'liberalism' was used as a term of abuse for 'godless utilitarians' like Jeremy Bentham before it acquired positive connotations following the work of J.S. Mill and others.

This etymological origin has led many political thinkers to claim that liberalism is primarily concerned with the principle of liberty (e.g. J.S. Mill and Isaiah Berlin). However, fellow liberals view other values as equally if not more fundamental to the tradition of liberalism, whether justice (e.g. John Rawls) or equality (e.g. Ronald Dworkin). What this fundamental disagreement suggests is that there is no such thing as 'liberalism'. The liberal myth according to which both classical and modern liberalism emerged from the Dark Ages and rescued the Greco-Roman legacy of free inquiry and free speech is historically and conceptually untenable. This myth rests on liberalism's claim to universalism, which has led numerous liberal thinkers partially to distort and ultimately to falsify the history of their own thinking (Manent 1987; Gray 1989; Losurdo 2011). While there are elements and traits which are distinctly liberal, liberalism does not have a core essence (Gray 2000). Since there is no single defining characteristic, it is more accurate to speak of 'family resemblances' (Ludwig Wittgenstein) – features that can be found in all the strands but are not reducible to a sole element. The liberal tradition has four such 'family resemblances': universalism, individualism, egalitarianism and meliorism.

First, liberalism's claim to universalism consists in the argument that liberal values have universal authority, which in turn rests on ideas of moral unity, universal criteria of judgement (e.g. Kant) and legitimate rule. Linked to this is the notion that the liberal system of government and liberal societies are universal because they maximise liberty, both individually and collectively. Second, liberalism's commitment to individualism is grounded in the moral primacy of each individual person over any collectivity – whether communities, groups or nations (e.g. Dumont 1983). As such, institutions are only justified insofar as they promote individual rather than collective well-being. The fundamental reason given by liberals is that the ultimate repository of both rights and values is the individual, not groups or associations.

Third, liberalism's defence of egalitarianism refers to the idea that all human beings have the same standing. The principle of equality recognises the equal moral status of all mankind, which limits the exercise of power and authority – a core liberal conviction. Fourth, meliorism describes liberalism's pursuit of progress, which is founded upon the view that progress is good and that things are improvable. As such, the liberal tradition sees itself as a historical philosophy of progress. What underpins this perspective is the idea of human imperfection and fallibilism that requires constant correction and improvement.

The concept of 'family resemblances' captures the paradox that the various strands of liberalism do not share a single essence but are nevertheless related through a series of common features. However, it is also the case that there are some modern or contemporary liberals who do not agree with all four 'family resemblances'. For example, John Rawls and Joseph Raz reject the claim to universalism, except for the application of the principle of justice. Likewise, liberal figures such as Immanuel Kant or J.S. Mill tend to speak of general or collective well-being rather than simply individual interest or entitlements. However, it is equally correct to suggest that (elements of) the four 'family resemblances' are constitutive of a specifically liberal outlook that has its roots in late medieval nominalism and voluntarism (de Muralt 2002). Thus, one can identify a series of shared features that define liberalism as a distinct political philosophy.

KEY LIBERAL THINKERS AND SEMINAL TEXTS

Common to all the classical liberal thinkers such as Locke, Rousseau, Kant and J.S. Mill is the idea that in the state of nature, human beings are primarily individuals who should be thought of in abstraction from any individuating characteristics or mutual relations. As 'bare individuals', they are bearers of rights and endowed with a free will. For example, John Locke – in the *Second Treatise of Government* – writes that humans are naturally in:

a State of perfect Freedom to order their Actions [. . .] as they think fit [. . .] without asking leave, or depending on the Will of any other Man (Locke 1960 [1689]: 287). Similarly, J.S. Mill suggests that the burden of proof is supposed to be on those who are against liberty; who contend for any restriction or prohibition [. . .]. The *a priori* assumption is in favour of freedom (Robson 1963–69, vol. 21: 262).

Taken together, rights and free will enable individuals to contract with each other – whether for largely economic aims (Locke) or predominantly political purposes

(Rousseau and Kant). As such, the social order is a human artifice, a conception that contrasts sharply with the ancient idea that man is a 'political animal' (Aristotle) and cognate notions in the thought of the Church Fathers and Doctors. Likewise, the modern emphasis on competing wills and their summation into one common, powerful collective will (e.g. Rousseau's *volonté générale*) is at odds with ancient, patristic and medieval ideas that man has a natural desire the supernatural good, which acts as an overarching *telos*.

Linked to individual subjective rights and the free will is the liberal notion of the social contract. Locke fuses contractualism with a consent theory of political association (rather than a coercion theory, as in Hobbes). For Locke, only the recognition of an equal moral status of all mankind can provide a proper foundation for political (but not civil) society and a non-absolutist outlook of government. In the second volume of his *Two Treatises of Government*, he argues that in the state of nature that precedes axiologically (and not historically) the body politic, men enjoy the same basic rights to life, liberty and land (or property). Locke's non-absolutism consists in the argument that political authority is – and always must be – subordinate to the moral norm of the natural equality of right. This basic moral norm imposes constraints on the nature and reach of sovereign power.

In *An Essay Concerning Human Understanding*, he attempts to account for this normativity by referring to natural law without however embracing a theological conception that views the law of nature in terms of a supernatural gift. Instead, he turns to notions like impartiality and consent or endorsement. Such and similar notions shift the emphasis from patristic and medieval theories of mutual duties to the idea of entitlements and obligations that are variously more individual (the person) or more collective (the state). Crucially, Locke treats individuality as an *a priori* given which is coextensive with the existence of all things: 'All Things, that exist, being particulars [. . .]' (Locke 2008: 409). This ontological claim begs the question, which is why he links ontological atomism to a politics of self-possession, arguing that mankind's freedom ultimately consists in being individual self-proprietors. Property is the central concept that links natural freedom to an artificially established social order based on the individual ability to work and trade.

Rousseau shares Locke's attack on the classical notion of human beings as naturally social. In his *Discourse on the Origin of Inequality*, he suggests – like Locke – that society is essentially an invention and that the state of nature precedes both civil and political society. Two issues arise from Rousseau's early work. First, what, if any, is the historicity of the state of nature? Second, which comes first, the representing state or represented civil society? By contrast with Locke, Rousseau argues that self-preservation or self-interest is only one of two principles that are constitutive of mankind. The other principle is pity or empathy, 'an innate repugnance to see his fellow suffer' (Masters and Kelly, Vol. II: 36). And unlike all other creatures, humans are born free and endowed with reason. It is the development of this faculty that marks the transition from the state of nature to civilisation, a stage in which mankind is capable of moral goodness, which Rousseau describes in *The Social Contract*, one of his main works. Chapter one commences with Rousseau's famous dictum: 'Man is born free, and everywhere he is in bondage' (Masters and Kelly 1994: 131). Since there are variants of the social contract that effectively enslave people, it is the task of

legitimate government to preserve the equality of its citizens and promote the formation of their character.

Here Rousseau's concept of the general will (*volonté générale*) is key. It seeks to blend the exercise of personal freedom with the promotion of collective well-being that can differ from individual self-interest. Far from being contradictory, Rousseau's brand of liberalism attempts to link morally legitimate rule to the public good in which all citizens can share. Thus, proper sovereign power defends the good of society that overrides individual interests or needs. That is why the general will is no amalgamation of individuals wills but rather an abstraction from private interest in favour of the common public good:

There is often a great deal of difference between the will of all and the general will. The latter looks only to the common interest; the former considers private interest and is only a sum of private wills. But take away from these same wills the pluses and minuses that cancel each other out, and the remaining sum of the differences is the general will. (Masters and Kelly 1994, Vol. IV: 146)

(Arguably, Rousseau's account of the social contract was a half-successful attempt to make civic corporatism the vehicle for individual liberty.)

Immanuel Kant and J.S. Mill develop the liberal tradition in different directions, but both share some of the fundamental tenets such as naturally given freedom and society as a human artifice. For Kant, the authority and normativity of laws by which both individuals and governments are bound is not based on an express or tacit contract but rather on a hypothetical agreement to which reasonable men would give their assent. Such assent rests on a nominalist abstraction from interpersonal, mutual agreement and also on a voluntarist grounding of reason in the 'good will' (Kant 1996). This, coupled with the categorical imperative and the separation of moral or political justification from any substantive conception of the good, leads Kant in the *Critique of Pure Reason* to posit a general foundation for all moral norms that is removed from actual personal character and the pursuit of virtuous behaviour (Kant 2000).

John Rawls, the most influential contemporary liberal philosopher, develops this theory by linking democratic debate to the inter-subjectivity of communication in the public sphere, which is the practical correlate of Kant's transcendental conditions for agreeing the norms of social rules. For Rawls we can make judgements about what is fair by way of the 'veil of ignorance' – a state in which we abstract from the specificities of people and contexts (Rawls 1971). But unlike Kant, Rawls eschews a metaphysical system in favour of a liberalism that is 'concrete, political and practicable' (Rawls 1985). Given 'the fact of pluralism', there can be no 'overlapping consensus' among individuals with incommensurate beliefs and values other than that of political liberalism (Rawls 1993). Such political – not metaphysical – liberalism is based on a theory of justice that corresponds to the quotidian experience extending beyond well-ordered liberal societies to all 'decent peoples' (Rawls 1999).

J.S. Mill's utilitarianism goes beyond Kant's procedural formalism by arguing that equality before the law is necessary but not sufficient in order to achieve genuine social justice. What is required is a thicker conception of political, economic and social equality that involves the redistribution of resources – not just the recognition of rights or the enforcement of the law (Robson 1963–69, vol. IV). Against his father James Mill and

Jeremy Bentham (who was a friend of the Mill family), J.S. Mill re-oriented utilitarianism from the idea of ‘the greatest happiness of the greatest number’ towards the pursuit of individual liberty. For only maximal individual autonomy leads to collective happiness. In *On Liberty*, he is adamant that public opinion and social conformism – not the law – are the biggest obstacles to individual liberty. As such, the emphasis shifts from utility to notions of higher and lower pleasure (Robson 1963–69, vol. XVIII).

However, the main focus of liberalism – whether the Lockean, Kantian-Rawlsian or Millian strands – is the equal concern and respect of all individuals *qua* individuals, a political philosophy with a universal outlook that purports to deliver progress. In short, the classical liberal tradition features many distinct strands that are nevertheless united by a number of shared ‘family resemblances’ that distinguish liberalism from other political theories and practices.

ALTERNATIVE GENEALOGIES OF LIBERALISM

In order to assess liberalism’s claims, it is necessary to consider a number of alternative genealogies of the liberal tradition that are linked to different visions and narratives (e.g. Levine 1995). First of all, liberals have not simply failed to live up to their ideals, which is true for the advocates of all ideologies and political movements. In the case of liberalism, there is a more fundamental problem to do with the hagiography of its own tradition (Losurdo 2011). The internal contradictions of liberalism are not confined to a discrepancy between ideals and reality or theory and practice but extend to its core claims – defending freedom, autonomy and self-government while at the same time failing to universalise these principles. Prominent examples include the liberal John C. Calhoun, who combined the promotion of individual and state rights with an explicit apology of slavery, an argument that can be traced all the way back to Locke. Even when liberals began to champion the abolition of slavery, they proceeded to exclude former slaves in more subtle ways, e.g. as indentured labour. Likewise, a number of liberal economists – beginning with Adam Smith – sought to restrict the power of labour to form associations and self-organise by demonising trading and other guilds. Smith wrongly claimed that they would always and everywhere engage in price-fixing and other anti-competitive measures. Coupled with the Whig Protestant project of imperialism, the liberal pursuit of certain forms of exploitation at home and abroad led to the defence of pauperism in Britain and famine in Ireland.

A second genealogical corrective can be found in the work of contemporary philosophers and theologians. First of all, the liberal abstraction from any individuating characteristics or mutual relations draws on Duns Scotus’ univocity of being whereby all things are ‘bare beings’ rather than things in relations to other things and their shared source in being itself. As such, liberalism rests on an ontology of univocally existing beings that are stripped of all metaphysical positioning to other beings and common being (Aquinas’ Neo-Platonist *ens commune*). This ontology is the ultimate philosophical foundation for liberal individualism (de Muralto 2002; Pabst 2012). Second, linked to this is William of Ockham’s twin claim that will is the ultimate principle of being (voluntarism) and that universals are merely mental concepts or names (nominalism). Ockham’s nominalist and voluntarist theology is of special significance for the genesis of modern politics in general

and liberalism in particular because it establishes the primacy of the individual over the universal and posits a radical separation between the infinite eternal and the finite temporal ‘realm’. That, in turn, provides the foundation for state supremacy vis-à-vis the church and all other institutions within the temporal-spatial realm of the *saeculum* (Coleman 1999; Pabst 2010a).

Third, it was Marsilius of Padua who developed and radicalised the absolutism of Ockham’s ‘secular politics’ (Coleman) by attacking the political role of the papacy. Like Scotus and Ockham, Marsilius separated the supernatural being and goodness of God from the natural univocal existence and fallenness of nature and all beings therein, a dualism that is partly indebted to Aristotle’s separation of the Prime Mover from the sublunary world and marks a break with the Christian Neo-Platonism vision of the supernatural Good in God that brings everything out of nothing into being (Pabst 2007; Pabst 2012). On these counts, Scotus, Ockham and Marsilius can be described as proto-liberal (de Muralto 2002). Fourth, liberalism inverts the primacy of the good over evil (e.g. evil defined by St. Augustine as *privatio boni*) and instead assumes the greater reality of evil vis-à-vis goodness. This inversion goes back to Ockham’s denial of universal goodness in particular beings and Machiavelli’s consecration of evil as politically more real than the good. That, in turn, translates into a vision of the city that, contrary to Plato and Aristotle, is not governed by a hierarchy of goods and ends but instead by a competition for survival and power. In Machiavelli’s *The Prince* (esp. Skinner and Price 1990, chap. IX), it is the exercise of violence and the use of fear that regulate civic life, not the pursuit of peace or the practice of virtuous behaviour (Manent 1987).

Fifth, by equating the latter with the aristocracy and the former with the populace, Machiavelli is the first modern political thinker to champion a centrally ruled ‘popular democracy’ that privileges the ‘honesty’ of the many over above the ‘virtue’ of the ‘few’. This inaugurates a dialectic between the executive power of the ‘one’ and the sovereign power of the ‘many’ that characterises the political thought of Hobbes, Locke and later liberal thinkers (Pabst 2010a). Atomistic liberalism, as ‘organicist’ liberals such as Constant and Tocqueville observed, subordinates the intellect to a tyranny of mere opinion, given that nature does not reflect universal truths. Therefore all opinions are in the end equally valid, in which case one opinion must somehow prevail – typically supported by a monopoly of power. That is why many liberals lay claim to exclusive universality and progress, dismissing all other ideologies and political movements as particularist and retrograde.

Sixth:

under liberalism, since only what is generally represented is publicly valid, the spectacle of representing always dominates the supposedly represented people, ensuring that what they think is always already just what they are represented as thinking. Thus Tocqueville noted that in America, the freest society on earth, there is least of all public debate, and most of all tyranny of general mass opinion. (Milbank 2004: 222; the reference is to de Toqueville 1969: 232)

Paradoxically, liberal tyranny unfolds in the name of liberty. Absent any substantive ends or goods, the only standard that liberalism recognises is a regulated logic of competition. This is not unlike the ancient *agon*, though according to formalised procedures. Connected with this is the fact that liberals purport to provide diversity of choice, giving rise to a utopia that Michael Oakeshott poignantly called ‘the blank

sheet of infinite possibility' (Oakshott 1991: 9; cf. Gray 2007). Yet at the same time, it is really an imposed, even coercive, consensus in order to ensure that no choice other than liberalism can ever be legitimately and effectively exercised. As such, the notion of illiberal liberalism is not wholly unwarranted. These alternative, non-liberal narratives and genealogies show just how historically contingent and theologically-philosophically peculiar the liberal tradition is – a stark contrast with the purported universal normativity of liberalism.

RECENT AND CURRENT DEBATES

Since Adam Smith, liberals have debated the extent and limits of the market in relation to the state. The last 250 years seem to have witnessed a cyclical evolution from Smith's 'progressive liberalism' via the economic liberalism of *laissez-faire* capitalism to the social liberalism of the welfare state and (back) to the free-market economics associated with neo-liberalism. However, such and similar narratives need to be corrected and supplemented in a number of ways. First of all, liberalism comes fully into being in the eighteenth century with the invention of the science of 'political economy' (Foucault 2004). Coupled with Machiavelli's science of 'politics' that elevates evil over goodness, political economy redefines the nature of power by suggesting that the sovereign can rule more by ruling less. Instead of trying to 'police' every aspect of their subjects' lives, governments can paradoxically exercise greater control by extending the operation of the market. The market balancing of supply and demand is seen as both natural and anarchic, constantly requiring state regulation and intervention – not least in relation to labour supply for the purposes of war. That is why Foucault described the liberal state-cum-market as 'biopolitical', applying political power to all aspects of human life (Pabst 2010a).

Second, Adam Smith argued for state intervention in the market and an important role for government in the economy. Moreover, he viewed the market as natural and morally neutral: production and trade based on self-interest are sundered from mutual sympathy and concern for the personal well-being of fellow 'economic actors' such as our 'butcher, brewer or baker'. As such, Smith's political economy breaks with the tradition of civil economy that fuses moral and civic virtues with self-interest and market activity (Bruni and Zamagni 2004). Crucially, Smith's dismissal of trading and other guilds represents a thinly veiled attack on the autonomy of civil society and all the intermediary institutions that mediate between the central state, the 'free' market and the individual.

Third, nineteenth-century *laissez-faire* capitalism combines the 'free' market with the strong state. For example, the creation of an unlimited market in human labour, land and money in Britain in the 1830s coincided with an unprecedented expansion of state power in terms of the collecting of statistics, of policing and of promotion of scientific education, civic sanitation and national transportation (Polanyi 1944). Likewise, post-1945 statist welfare that is run centrally based on uniform standards and targets is subservient to capitalism because it compensates for market failure but does not change the fundamental relation between capital owners and wage labourers. As such, much of economic and political liberalism combines market atomism with elements of state collectivism (Gray 1998; Pabst 2010b). This has reinforced the modern 'disembedding' of the economic sphere from the social order and a re-embedding of the social in the economic.

Luigi Sturzo said as much when he wrote that:

[L]iberalism meant the liberation from such a past, but it tended to disorganize society, resolving it in the individual; so that afterwards to reorganize that society it had recourse theoretically to the system of an omnipotent state, and practically accentuated the defense of the bourgeoisie as the ruling class, identifying the economic interests of such a class with those of the nation as a whole: whence the strong and decisive socialistic reaction. (Sturzo 1947: 13)

Here one can suggest that both conservatism and socialism are trying to resolve the *aporia* of liberalism – which comes first, the representing state or the represented civil society? Since most conservative and socialist thinkers view state, market and civil society as disconnected from one other, their critique of liberalism remains wedded to an essentially liberal paradigm. Thus, conservative and socialist alternatives to liberalism are really an aporetic extension of liberalism, not a break with it. Unless an alternative political economy replaces the unholy alliance of social and economic liberalism, the liberal tradition will by default remain the hegemonic ideology and political philosophy of the modern age.

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22. Microfinance

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INTRODUCTION

Many historical moments and contexts have witnessed the emergence of microfinance practices, that is, of specific financial techniques designed for providing the unbanked poor with access to credit, saving, insurance and other complementary non-financial services. Different institutional formats and innovative financial techniques have been locally experimented with to reduce information asymmetries, transaction costs and lack of collaterals, all factors which are extremely severe especially when we come to the poorest. In fact, being unbanked is only one of the many interdependent forms of exclusion the poor suffer. Financial, economic, and social exclusion interact in a circular and cumulative process which triggers multiple poverty traps (Myrdal, 1958).

Throughout the last 30 years, thanks to institutions like Grameen Bank, BRAC (Bangladesh Rural Advancement Committee) and ASA (Association for Social Advancement) in Bangladesh, Bank Rakyat in Indonesia, BancoSol in Bolivia, modern microfinance has become a global movement reaching around 190 million clients worldwide (Reed 2011). During the 1980s and 1990s, the increasing number of microclients and their high repayment performances convinced the majority that microfinance was a 'revolution' in the global fight to poverty as well as in development thinking (Yunus and Jolis 1999; Ledgerwood 1999). Under the flag of the win-win proposition (Morduch 2000), microfinance promised to reduce poverty in a sustainable way: a promise which attracted massive investment from the aid industry, multilateral organizations and private donors.

However, during the last decade, observers have been increasingly recognizing that the picture is much more complex and that not all promises can be delivered, for everyone and everywhere. In particular, recent impact studies have shown how after 30 years we still lack any solid evidence that microfinance is able to significantly improve the lives of the poorest. Moreover, the idea that microfinance can contribute to development dynamics, that is, processes of structural change and technological learning, has been critically questioned. Other overlapping lines of research have been enriching our understanding of microfinance. On the one hand, theoretical studies drawing from behavioural economics have clarified the difficulties encountered by the poor in the saving process and, secondly, explained the working of micro-credit techniques such as joint liability, weekly repayment schedules, and dynamic incentives. On the other hand, researchers and practitioners have allied in disentangling the multiple transformations occurring in the microfinance sector such as: a shift from mainly group lending methodologies to individual credit schemes; an increasing provision of multiple financial services by different actors operating at various levels; finally, a commercialization process and, as a result, an increasing demand for regulation, new forms of subsidies, higher operational efficiency and broader technological innovations (Armendáriz and Labie, 2011).