

İSTANBUL TECHNICAL UNIVERSITY ★ INSTITUTE OF SOCIAL SCIENCES

**GENEALOGY OF GOVERNMENTALITY
FROM LIBERALISM TO NEOLIBERALISM**

**M.A. Thesis by
Ayfer GENÇ
(419081001)**

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**Supervisor (Chairman) : Assis. Prof. Dr. Alp Yücel KAYA (ITU)
Members of the Examining Committee : Dr. Mehmet ARISAN (ITU)
Assis. Prof. Dr. Sibel YARDIMCI
(MSGSU)**

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LİBERALİZMDEN NEOLİBERALİZME YÖNETİMİN SOYKÜTÜĞÜ

YÜKSEK LİSANS TEZİ
Ayfer GENÇ
(419081001)

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Tez Danışmanı : Yrd. Doç. Dr. Alp Yücel KAYA (İTÜ)
Diğer Jüri Üyeleri : Dr. Mehmet ARISAN (İTÜ)
Yrd. Doç. Dr. Sibel YARDIMCI
(MSGSÜ)

HAZİRAN 2011

FOREWORD

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ABBREVIATIONS

IMF	: International Monetary Fund
WB	: World Bank
WTO	: World Trade Organization

GENEALOGY OF GOVERNMENTALITY: FROM LIBERALISM TO NEOLIBERALISM

SUMMARY

In this thesis I analyze what I take to be a genealogy of governmentality by tracing the history of governmentality and by focusing on Foucault's lectures of 1977-1978 and 1978-1979 at *Collège de France*.

I begin in the first section, with some examination of Foucault's triangle of discourse, subjectivity and governmentality. First of all I analyze Foucault's use of discourse since according to him government always defines a discursive field. I continue with the radical change realized in Foucault's mind, looking at his focus on subjectivity especially after 1970s. Last part of the first section concentrates on governmentality. Foucault's focus on governmentality appears as a result of methodological transformation from power to subjectivity.

Next, I examine history of liberalism. Here the crucial point lays in the transformation realized in the middle of the eighteenth century: The passage from *raison d'Etat*, which takes as his central point the power of state, to liberalism. Liberalism creates its own rationality that takes frugal government as its central point. Now government lets things happen, it intervenes when it becomes necessary.

The final chapter looks at the second breakpoint realized in the twentieth century with the establishment of neoliberalism as a new rationality of government with its own policies, rules and techniques of government. Here I continue with the analysis of two main examples of neoliberal governmentality: German Ordoliberalism and American Neoliberalism of the Chicago School.

LİBERALİZMDEN NEOLİBERALİZME YÖNETİMİN SOYKÜTÜĞÜ

ÖZET

Bu tezde yönetimin soykütüğü yönetim sanatı tarihi üzerinden ve özellikle Michel Foucault'nun 1977-1978 ve 1978-1979 *Collège de France* derslerinin üzerinde yoğunlaşarak analiz edilmiştir.

Bu kapsamda ilk bölümde Foucault'nun yönetme, özneleştirme ve diskur üçgeni ele alınmış ve sorgulanmıştır. Öncelikli olarak Foucault'nun yönetimin esas itibariyle söylemsel bir alanı tanımlamasından hareketle söylem kavramı incelenmiştir. Devamında Foucault'nun düşüncesinde 1970'lerde meydana gelen ve kendisinin özneleştirme üzerine yoğunlaşmasıyla sonuçlanan değişim ve kopuş analiz edilmiştir. İlk bölümün son kısmı ise yönetim üzerine yoğunlaşmıştır. Bunun başlıca nedeni Foucault'nun iktidar kavramından özne kavramına geçişi olmuştur.

Sonrasında liberalizm tarihi incelenmeye başlanmıştır. Burada can alıcı nokta 18.yüzyılda gerçekleşen değişim olmuştur: Devlet iktidarını kendine amaç edinen *raison d'Etat* anlayışından liberalizme geçiş bu bölümün asıl yoğunlaştığı nokta olarak ön plana çıkmıştır. Foucault'ya göre liberalizm kendi rasyonalitesini yaratmış ve kısıtlı yönetim tarzını benimsemiştir. Buna göre yönetim ve iktidar, olayları olağan akışına bırakmayı tercih etmiş; sadece çıkarı gerektirdiğinde müdahale eder hale gelmiştir.

Son bölüm neoliberalizmin kendi yönetim teknikleri, kuralları ve politikaları ile birlikte yeni bir rasyonalite olarak ortaya çıkmasıyla gerçekleşen 20. yüzyıl kırılmasını ele almıştır. Burada neoliberalizmin entellektüel altyapısını oluşturan Alman Ordoliberalizmi ve Amerikan Chicago Okulu sırasıyla ele alınmıştır. Özellikle neoliberalizmin özneleştirme metodları ve iktidar teknolojileri yardımıyla bireyi yeniden inşa etmesi bu bölümün son kısmında ayrıntılarıyla incelenmiştir.

1. INTRODUCTION

Indeed, it is at first sight extraordinary that Foucault, who is neither an economist nor known for direct study of the present, should have been engaged almost thirty years ago in studying something that seems to have come to the fore only recently (Kelly, 2009: 46).

Michel Foucault had already completed his last lecture on the 4th of April, 1979 at Collège de France and he had also declared neoliberalism as the predominant governmental mode when Margaret Thatcher became Prime Minister of Great Britain on May 1979. In fact Foucault, during all of his lectures at Collège de France, was describing history of governmentality from pastorate through classical liberalism. Neoliberalism was his last stop all along this genealogy of governmentality. In this respect it is possible to say that Foucault was already describing the nativity of an imminent future in remarkable detail (Hjorth & Hoyer, 2009: 99). Here it is clear that the courses Foucault has given at Collège de France are important since they performed a role in contemporary reality (Hjorth & Hoyer, 2009: 99). Like it has been emphasized by François Ewald and Alessandro Fontana in the introduction of the Birth of Biopolitics:

Michel Foucault's art consisted in using history to cut diagonally through contemporary reality. He could speak of Nietzsche or Aristotle, of expert psychiatric opinion or the Christian pastoral, but those who attended his lectures always took from what he said a perspective on the present and contemporary events (Foucault, 2008 : 15).

Michel Foucault, French philosopher, taught at the Collège de France from January 1972 until his death in June 1984. During these lectures Foucault takes as his departure point the unique idea that power is not conceived as a stable and fixed entity that could be stored at particular institutional sites but signifies the result of a mobile and flexible interactional and associational network (Walters, 2004:31-33). At this point he proposed the concept of governmentality for the first time in his lectures at the Collège de France in 1978 and 1979. The point of departure of an analytics of government, for Foucault, is the governmentalization of the state (Foucault, 1991: 103). Governmentality, for Foucault, represents the rationalisation of governmental practice in the exercise of political sovereignty (Foucault, 2008). He

employs the concept of governmentality as a guideline for genealogy of the modernstate embracing a period from Ancient Greece up until contemporary forms of neoliberalism (Lemke, 2007:2).

Foucault's lectures at Collège de France are published in two series entitled *Security Territory Population* and *The Birth of Biopolitics*. These two series form a dyad, with a common theme: government (Kelly, 2009: 46). Government, in this respect, is considered by Foucault as a practice and problematic that first emerges in the sixteenth century and is characterized by insertion of economy into political practice (Peters, 2007: 166).

Foucault began his 1977-78 lectures, published under the title *Security Territory Population* with an examination of the anti-Machiavellian literature of the 16th and 17th centuries which contested the proposition that the object of political analysis was the sovereign authority of the prince. Foucault, instead, suggests a literature concerned with the art of government defined by him as the right disposition of things (Curtis, 2002). In this respect Foucault, in the first place, looked at the governmental rationality associated with *raison d'Etat*. Later, he focused on the transformation, realized in the middle of the eighteenth century that ends with the born of a totally new rationality of government called liberalism.

The genealogy of governmentality continues to occupy his lectures of 1979. In lectures published under the title *The Birth of Biopolitics*, Foucault continues to explore how liberalism emerges out of *raison d'Etat* via political economy. Next, Foucault concentrates on the transformation realized in the twentieth century. With the emergence of neoliberalism we are now facing a new form of classical liberalism, of course, with its own rationality.

In this respect the major focus of studies of governmentality has been the shift from the Keynesian welfare state toward so called free market policies and the rise of neo-liberal political projects in Western democracies. An analytics of government helps to provide a dynamic analysis that does not limit itself to statements about the retreat of the state or the domination of the market, but deciphers the apparent end of politics as a political program (Lemke, 2007:3). *The Birth of Biopolitics*, in this sense, examines the three theoretical schools of German ordoliberalism, the Austrian

school characterized by Hayek, and American neoliberalism in the form of the Chicago School.

Foucault emphasizes that these arts of government presented governing as practices in continuity. They include the individual's government of itself, the father's government of the household, and also the prince's government of the state. In short government is no longer considered as in the monopoly of prince. Rather Foucault indicates that government is everywhere and at anytime.

Foucault emphasizes that there exist governmental technologies which are composed of various instruments such as practical mechanisms, procedures, and calculations. Through these technologies, authorities search for the ways to guide and shape the conduct of each individual. In other words Foucault does not take institutions as the point of departure; rather he refuses institutional centric explanations. What Foucault suggests is the observation and analysis of governmentality through technologies of power. State and other institutions, on Foucault's account, are not given stable reality. Instead they emerge as a result of technologies of power and governmental practices.

The main focus of this study is the emergence and evolution of governmentality as a new governmental reason from the 18th to the 20th century. With the analysis of the history of governmentality it becomes clear that with the discovery of the art of government governing is no longer considered as existing on the external boundaries of the state; rather it is now inside the state. This study will analyze also, following Foucault's study, the construction of a critical link between the government of the self and government of the state. As Foucault tries to make a genealogy of political economy over the question of governmentality, he states that there are two breakpoints in the history of humanity: on the one hand the breakpoint of 18th century, liberalism and the implementation of a new art of government; on the other hand the breakpoint of 20th century, neoliberalism as a distinct rationality from liberalism. These breakpoints also signify, on Foucault's account, changes of discourse which appear as the central problematic of his philosophical theory.

In this respect in the first section I will be analyzing Foucault's triangle of discourse power and governmentality. Discourse is important to be defined and examined for Foucault's governmental studies since according to him government always defines a

discursive field. With his analysis of the concept of discourse Foucault essentially examines how a particular regime of truth makes something that does not exist to become something. To quote Foucault's own words:

The point of all these investigations concerning madness, disease, delinquency, sexuality, and what I am talking about now, is to show how the coupling of a set of practices and a regime of truth form an apparatus (dispositif) of knowledge power that effectively marks out in reality that which does not exist and legitimately submits it to the division between true and false. (Foucault, 2008: 19).

In other words Foucault's focus is upon questions of how some discourses have shaped and created meaning systems that have gained the status of truth, and dominate how we define and organize both ourselves and our social world, whilst other alternative discourses are marginalized and subjugated.

In fact before starting to analyze liberalism and neoliberalism in detail, I will focus, at the beginning of first section, essentially on the concept of discourse in order to understand what discourse is and how its relationship with power, knowledge and subject are shaped. Next I will be exploring the shift realized in Foucault's mind in the middle of the 1970s, concerning the passage from power to subject studies. Later on, I will be analyzing power technologies which are intended to dominate and control subjects according to the intention of power. After this, the problem of government will attain a central place in my work, like it has been in Foucault's.

Second section will look at the history of liberalism, by focusing essentially on origins and progress of liberalism. For doing this, at first, Foucault's *Security Territory Population* will be our starting point. Foucault's initial purpose in this course is to retrace the genesis of what he calls 'bio-power'. However he makes a genealogical study of political economy by studying history of liberalism from pastorate to classical liberalism. We will look essentially at the breakpoint of 18th century, in order to analyze the origins of liberalism. In his lectures given between 1977 and 1978 he essentially examines the first breakpoint in the history of liberalism: classical liberalism of the eighteenth century. He focuses on the topic "art of government" in order to bring an explanation to the changes realized with the liberal transformation.

Finally third section will focus on Foucault's *The Birth of Biopolitics*. Among Foucault's few forays into analyzing contemporary political rationality is his analysis

of neoliberalism. Foucault, in this respect, is important to be studied since his lectures have a different look at the history of liberalism. It is in this vein that the construction of the positions Foucault takes in his lectures at Collège de France given in 1979 will be examined with respect to three main topics in the last section of this thesis: the account of governmentality and the early modern state; the treatment of German Ordoliberalism as the origin of neoliberalism; and the examination of Chicago School economics with respect to human capital and the economics of crime (Tribe, 2010: 2). In this sense our key point, during the last section, will be the second breakpoint, realized in the twentieth century, in the history of liberalism: neoliberalism. Finally the question of how neoliberalism creates the world we live in will be our last main concern.

2. FOUCAULT'S TRIANGLE OF DISCOURSE-SUBJECTIVITY-GOVERNMENTALITY

2.1 Discourse

“It is in discourse that power and knowledge are joined together.”(Foucault, 1990: 100)

Foucault's analysis of history of governmentality involves in the fact that government defines a discursive field. This means that exercising power is rationalized within this discursive field (Lemke, 2007: 1). The former includes agencies, procedures, institutions, legislation; legal forms etc... All of these elements are intended, according to Foucault, to enable us to govern the things and people of a political rationality.

In this respect, defined by Bourdieu, one of the most important thinkers of neoliberalism, as a “strong discourse”, neoliberalism creates itself, today, as a new regime of truth, capable of creating the conditions under which its theory can be realized and function on a global scale.

At this point it would be better to start studying Foucault's analysis of liberalism from the definition of discourse since genealogical analysis begins with a discursive examination of political economy in the middle of the eighteenth century, signifying a breakpoint in the history of governmentality.

2.1.1 How do we define discourse?

Foucault starts his analysis of history of governmentality with the formation of a scientific and theoretical discourse of political economy in the middle of the eighteenth century. In order to understand how frugal government in the middle of the eighteenth century and neoliberal government in the twentieth century became a regime of truth we should examine in detail Foucault's analysis of discourse.

In one of his masterpieces “*The Archaeology of Knowledge*” which is a detailed description of his methodology Foucault focuses on the concept of ‘discourse’.

Here Foucault summarizes his methodology as follows:

Between archaeological analysis and the history of ideas there are a great many points of divergence. I shall try shortly to establish four differences that seem to me to be of the utmost importance. They concern the attribution of innovation, the analysis of contradictions, comparative descriptions, and the mapping of transformations (Foucault, 1978: 138)

This means that he first of all criticizes the unifying model concerning the history of ideas. He rather suggests that discontinuity is the main characteristic of the discursive statement. Foucault explains that systems of dispersion are the underlying reality of all discursive elements (Foucault, 1972: 37). In other words pre-existing assumptions should be evaded if we really want to analyze discursive statements in a proper way. In short Foucault does not lose time searching for homogeneity in a discursive entity; rather he looks at ruptures, breaks, mutations, and transformations to understand the production of meaning and knowledge.

the problem is no longer one of tradition, of tracing a line, but one of division, of limits; it is no longer one of lasting foundations, but one of transformations that serve as new foundations, the rebuilding of foundations (Foucault, 1972: 5).

From this perspective Foucault states that the appearance of political economy as a discursive field signifies the first rupture in the history of governmentality. With this transformation Europe passed from the reason of state through to the liberal art of government. This was also discovery of a new rationality.

Further Foucault points out that a discourse is a group of statements which is different from other groups of statements. Then what is a statement? Foucault answers that a statement is a linguistic unit which is different from a sentence, proposition, or act of speech (Foucault, 1972: 86). At this point language may be regarded as a system for constructing possible statements. The relationship between the statement and discourse gives us the conditions of the emergence of truth. The conditions of a statement's existence tell and show us how claims of truth are constructed and valued within the positivity of a discipline

Foucault, by establishing the concept of discourse at the heart of his philosophy wants to show us by which conjunctions a whole set of practices - from the moment they became coordinated with a regime of truth- was able to make what does not exist, nonetheless become something that continues not to exist.

As his archaeological method suggests Foucault tries to define discourses in their specificity. He argues that discourses do not simply describe the social world; rather

they constitute it by bringing certain phenomena into being through the way in which they categorize and make sense of an otherwise meaningless reality (Grant, 2004: 301). In short discourse presents, on Foucault's account, the condition of possibility that determines what can be said, by whom and when.

Discursive practices are characterized by the delimitation of a field of objects, the definition of a legitimate perspective for the agent of knowledge, and the fixing of norms for the elaboration of concepts and theories. Thus each discursive practice implies a play of prescriptions that its exclusions and choices (Foucault, 1977: 199).

According to Foucault, truth, morality, and meaning are created through discourse. Every age has a dominant group of discursive elements that people live in unconsciously. In other words discourses are important since they constitute the world we live in.

Discourses are ways of constituting knowledge, together with the social practices, forms of subjectivity and power relations which inhere in such knowledge and relations between them. Discourses are more than ways of thinking and producing meaning. They constitute the 'nature' of the body, unconscious and conscious mind and emotional life of the subjects they seek to govern (Weedon, 1987: 108).

In every society, the production of discourse is at once controlled, selected, organized and redistributed according to a certain number of procedures whose role it is to avert its powers and its dangers, to cope with chance events, to evade its ponderous, awesome materiality. Discourse operates by rules of exclusion concerning what is prohibited. Specifically, discourse is controlled in terms of objects (what can be spoken of), ritual (where and how one may speak), and the privileged or exclusive right to speak of certain subjects (who may speak).

These procedures include some external controls:

- Controls of exclusion which prevent someone to talk about some subjects such as sexuality and which permit another the possibility to talk about these subjects. By the rules created by controls of exclusion someone are allowed while others are not.
- The creation of dichotomies like reason/insane etc...
- The opposition between true and false that is due to a will to truth/knowledge and which is based on historical and thus modifiable systems of exclusion forms the domain of the true.

Foucault's method of studying history through the analysis of discourses is called genealogy. This method was designed to study how discourses exercise power; rather than exploring to whom power actually belongs (Foucault, 1990: 101) Foucault claims that discourse appears as the producer of power; at the same time it is produced by it.

We must take allowance for the complex and unstable process whereby discourse can be both an instrument and an effect of power...Discourse transmits and produces power; it reinforces it, but also undermines and exposes it, renders it fragile and makes it possible to thwart it...(Foucault, 1990: 101).

In this respect Foucault's work is imbued with an attention to history, in attending to what he has variously termed the genealogy of knowledge production. That is, he looks at the continuities and discontinuities between *epistemes*¹ and the social context in which certain knowledge and practices emerged as permissible and desirable or changed. In his view knowledge is inextricably connected to power, such that they are often written as power/knowledge. That's why while we are examining power/discourse relation we can not ignore those of knowledge/discourse.

Foucault, in this respect, asks the question "How some discourses have shaped and created meaning systems that have gained the status of truth, and dominate how we define and organize both ourselves and the world we live in, whilst other alternative discourses are marginalized, excluded and subjugated, yet potentially offer sites where hegemonic practices can be contested, challenged and resisted?" He has looked specifically at the social construction of madness, punishment and sexuality. In Foucault's view, there is no fixed and definitive structuring of either social (or personal) identity or practices, as there is in a socially determined view in which the subject is completely socialized. Rather, both the formation of identities and practices are related to, or are a function of, historically specific discourses.

Truth is to be understood as a system of ordered procedures for the production, regulation, distribution, circulation and operation of statements.

Truth is linked in a circular relation with systems of power which produce and sustain it, and to effects of power which it induces and which extend it: A regime of truth (Foucault, 1990: 133).

¹ The word "episteme" is taken by Foucault to mean the knowledge systems which primarily informed the thinking during certain periods of history: a different one being said to dominate each epistemological age.

The key point of Foucauldian analysis emerges at this point: the certain relationship between the truth and the power. Here it is obvious that truth is involved in power, it is the production of power relations in a society. In other words Foucault rejects the idea that truth exists separate and independent from power relations in a society. In effect it is power relations within the society which produce the truth and make individuals accept something as truth.

The important thing here, I believe, is that truth isn't outside power, or lacking in power ... truth isn't the reward of free spirits, the child of protracted solitude, nor the privilege of those who have succeeded in liberating themselves. Truth is a thing of this world: it is produced only by virtue of multiple forms of constraint. And it includes regular effects of power (Foucault, 1990: 133).

Further he claims that each society creates a regime of truth according to its beliefs, values, and moralities. He identifies the creation of truth in contemporary western society with five traits: the centring of truth on scientific discourse, accountability of truth to economic and political forces, the diffusion and consumption of truth via societal apparatuses, the control of the distribution of truth by political and economic apparatuses, and the fact that it is the issue of a whole political debate and social confrontation. Truth is a construct of political and economic forces that command the majority of the power within the societal web. In short we can say that for Foucault there is no truly universal truth at all.

In short what Foucault wants is to show that discourse is a group of statements which provide a language for talking about a particular topic at a particular historical moment. In this sense this language, for the same period of time, creates the regime of truth of its own. In this perspective political economy, in the middle of the eighteenth century, appears as a discursive field that has its own regime of truth and own rationality. Liberal governmentality creates its own procedures, legal forms, ways of thinking and also its own forms of subjectivity. Individuals speak and behave as particular kinds of subjects by way of speaking within the possibilities allowed by specific discourses and thinking in the discursive field. Here the concept of subjectivity, assumes the second core point of Foucauldian philosophy of discourse.

2.1.2 Discourse and the subject

Discourse occupies an important place in the process of subjectification. Foucault's archaeology of knowledge questions the concepts of identity and self by suggesting that there is no core self; rather, perceptions of self are socially constituted. According to Foucault it is through discourse that we are created. In other words discourses establish ways of identifying, understanding, and managing deviant subjects.

In the end we are judged, condemned, classified, determined in our understandings, destined to a certain mode of living or dying, as a function of the true discourses which are the bearers of the specific effects of power (Foucault, 1994: 32).

Foucault's analysis emphasizes that no power/knowledge is entirely dominant or ascendant over other discursive fields. The potential for the exercise of agency from within different discursive fields is always there, and this has significant repercussions for the development of alternative subjectivities.

Let us not therefore ask why certain people want to dominate what they seek, what is their overall strategy. Let us ask, instead, how things work at the level of on-going subjugation, at the level of those continuous and uninterrupted processes which subject our bodies, govern our gestures, dictate our behaviours, etc. In other words we should try to discover how it is that subjects are gradually, progressively, really and materially constituted through a multiplicity of organisms, forces, energies, materials, desires, thoughts etc. ... We should try to grasp subjection in its material instance as constitution of subjects (Foucault, 1980: 97).

In short analyzing what discourse is and how it shapes the world we live in is important to understand the two breakpoints which appear as the core point of our subject. These two breakpoints signify, also, the transformation of discourses, the replacement of one discourse by another.

I will start to analyze, in the first place, the transformation realized in the 18th century which points out the establishment of the liberal government. The emergence of political economy as the main discursive field and the appearance of population as a new form of subjectivity in the middle of the eighteenth century will be the essential elements in the establishment of liberal governmentality. While analyzing this triangle of discourse, subjectivity and governmentality subject/power relations will be our main concern.

2.2 From Power to Subjectivity

I think that if one wants to analyze the genealogy of the subject in Western civilization, he has to take into account not only techniques of domination but also techniques of the self. Let's say: he has to take into account the interaction between those two types of techniques – techniques of domination and techniques of the self. He has to take into account the points where the technologies of domination of individuals over one another have recourse to processes by which the individual acts upon himself. And conversely, he has to take into account the points where the techniques of the self are integrated into structures of coercion and domination. The contact point, where the individuals are driven by others is tied to the way they conduct themselves, is what we can call, I think government. Governing people, in the broad meaning of the word, governing people is not a way to force people to do what the governor wants; it is always a versatile equilibrium, with complementarity and conflicts between techniques which assure coercion and processes through which the self is constructed or modified by himself (Foucault, 1993: 203-204).

After we have analyzed one of the most important concepts that stand at the heart of Foucauldian philosophy, discourse, we will be analyzing in the next section our main concern: The history of liberalism. In contrast, we have some points to be noted before closing this section:

Foucault's analyses of discourse that we have tried to summarize above involve essentially in archaeological method.² However in the lectures of Collège de France, a genealogy of the modern state is discussed not in terms of archaeology of knowledge, but from a perspective of a genealogy of technologies of power. This is the moment, for Foucault, when subject and subjectivity enter into the game.

In this thesis the analysis of history of art of government from liberalism to neoliberalism will be realized within the context of genealogical method. This means that the constitution of subjectivity, its reconstruction under liberal and neoliberal governmentality will be the core subject of last two sections. Here Foucault will be using genealogical method, which involves an attack on the tyranny of what he calls totalizing discourses. In short, the genealogical method appears more clearly as a mode of resistance to political power, and above all as a modality of the relation of

² It is considered that it is possible to separate Foucault's works, according to their methodology, in two parts: Archaeological and Genealogical. *The History of Madness, The Birth of the Clinic, and The Order of Things* are involved in archaeological method. According to the archaeological method systems of thought and knowledge (epistemes or discourses) are governed by rules, beyond those of grammar and logic, that operate beneath the consciousness of individual subjects and define a system of conceptual possibilities that determines the boundaries of thought in a given domain and period.

self to self among others explored by Foucault in his two lectures. In particular in his governmental studies Foucault refined his analysis of subjectivation. The subject, according to Foucault, was no longer to be understood as an effect of the technology of domination of power; rather it is to be understood within the genealogical method which involves, above all the relation of self to self.

“In the history of Madness, in *The Order of Things*, and also in *Discipline and Punish*, many things that were implicit could not be rendered explicit because of the way in which I posed the problems. I tried to mark out three types of problem: that of truth, that of power, and that of individual conduct. These three domains of experience can be understood only in relation to each other and only with each other. What hampered me in the preceding books was to have considered the first two experiences without taking into account the third. By bringing this last experience to light, I had a guiding thread which didn't need to be justified by rhetorical methods by which one could avoid one of the three fundamental domains of experience” (Foucault, 1996: p.466).

As it has been seen above, it is well defined by Foucault that his texts take two directions: In the first place we have a historical epistemological direction relying on the archaeological formation of economic knowledge and in the second place a discourse analytical genealogical direction with respect to the strategic use of the power discourse. (Goldschmidt & Rauchenswandtner, 2007: 5). The breakpoint between two directions is realized in the middle of the 1970s when Foucault turns his attention to a genealogical analysis, in other words to the micro analysis of power. It means that now, in 1975, we are faced with a genealogy of power technologies. This means that Foucault's conception of power distinguishes itself from the general definitions. He asserts that it is necessary to speak of power relations rather than power alone. In this respect Foucault never tries to define what power is; rather he is interested in the set of mechanisms and procedures that have the role of securing power. In this sense mechanisms and procedures of power take as their main target the individual/subject and, at this point, they try to establish control upon its conduct in order to create their own rationalities of government.

In short with the next section we will be studying a much more different Foucault. This means that after 1976 something change in Foucault's mind. Before 1976 Foucault focused his attention on the concept of power. This direction represents historical epistemological method with respect to the archaeological formation. However after 1976, particularly with his *La Volonté de Savoir* Foucault started to

analyze subject power relations, In other words *Security Territory Population* and *The Birth of Biopolitics* appeared as a result of this turn in Foucault's mind: Now he turns his attention to a genealogical analysis, in other words, to the micro analysis of power, which means that the texts are not analyzed as within the archaeology of knowledge, but in the direction of a genealogy of power technologies.

This breakdown of 1976 in Foucault's mind also means a lot for my thesis since it opens the road to the analysis of governmentalities which are the core subject of its *Security Territory Population* and *The Birth of the Biopolitics*. Government, on Foucault's account, is a term that should not be discussed only in political meaning; rather government includes discussion of philosophical, religious, medical and also pedagogic subjects.

In addition to the management by the state or the administration, "government" also signified problems of self control, guidance for the family and for children, management of the household, directing the soul, etc... (Lemke, 2002: 2).

The full series of Foucault's Collège de France courses signify the decline of his archaeological method in the early 1970s, the development of his better known genealogical investigations in the middle of late 1970s. It is obvious that Foucault's genealogical period works are more explicitly political. The concept of government appears as the core point of his genealogical studies. According to Foucault government is defined as the conduct of conduct and thus it becomes a conceptual term which includes both governing the self and governing others. Foucault's subject oriented explanations after the middle of the 1970s, thus, managed to concretize the concept of power in micro practices that Foucault followers have called governmentality.

Later Foucault concentrates on the technologies of the self. The understanding of subjectification is possible under the concept of governmentality. History of liberalism, which will be our main concern during this work, is important since the introduction of life into history corresponds to the rise of liberalism as a totally new type of governmental rationality. What is crucial here is that from the 18th century onwards various power relationships and power technologies intended to modify and control human life in order to create forms of life in their controls. In short Foucault's analyses show us that during the history of governmentality that begins

essentially with the establishment of liberalism in the middle of the eighteenth century, power seizes life as the object of its exercise.

In this respect biopolitics appears as the process of subjectification and it becomes a matter of a direct instrumentalization of human life in Foucauldian philosophy. In other words through the concept of biopolitics Foucault tells us that human life and living being are at the heart of new political battles and new economic strategies.³

By this [biopolitics] I mean a number of phenomena that seem to me to be quite significant, namely the set of mechanisms through which the basic biological features of the human species became the object of a political strategy, of a general strategy of power, or, in other words, how, starting from the eighteenth century, modern western societies took on board the fundamental biological fact that human beings are species (Foucault, 2007: 16).

In this regard, next section will show us the complicated relationship between subject and power and while doing so it will also help us to analyze the history of governmentality with the help of genealogical analysis. We will begin by the passage, in the middle of the eighteenth century, from the reason of state to the emergence of the liberal art of government as a totally new type of political rationality. We will be observing, within the next section, how the concept of governmentality and its genealogical analysis link technologies of the self with the technologies of domination. We will be following a road that consists in the constitution of subject to the formation of the state.

All in all, in the history of governmentality Foucault endeavours to show how the modern sovereign state and the modern autonomous individual codetermine each other's emergence (Senellart, 1995).

3. HISTORY OF ART OF GOVERNMENT: FROM RAISON D'ETAT TO CLASSICAL LIBERALISM

Michel Foucault, in his lectures given at Collège de France in 1977-78, examines in detail history of art of government beginning with reason of state of the sixteenth and seventeenth centuries and continues essentially with the analysis of 18th century liberal art of government. In this respect Foucault analyzes government as a practice which is characterized by the insertion of economy into political practice and which emerges essentially after the collapse of feudalism and the establishment of new territorial states (Peters, 2007: 166). His lectures include different topics such as the art of government, population, liberalism, neoliberalism, the state, civil society, political economy, liberty, security, governmentality, and by all of these topics Foucault seems to provide an ontology of the present (Foucault, 1994: 687-688). All of these topics will bring us to the actual reality of neoliberalism, after having a detailed look at the genealogy of the art of government.

Foucault's main topic in these lectures involves in the breakpoint, realized in the middle of the eighteenth century, concerning the emergence of liberal government. He tries to explain this transformation in the history of liberalism from a different perspective by making a genealogy of art of government beginning with reason of state of the sixteenth and seventeenth centuries. He starts with the analysis of reason of state, continues with the transformation of the eighteenth century and finishes with the establishment of liberalism as a new art of government, that distinguishes itself radically from reason of state.

His thoughts and explanations about the breakpoint of the eighteenth century will be occupying his lectures in 1978-79, published under the title *The Birth of Biopolitics*⁴. In these lectures Foucault focuses essentially on the self limitation of the liberal government and the conditions transforming liberal government into interest oriented type of government.

⁴ The Birth of Biopolitics includes twelve-lesson lecture course, intriguingly entitled *Naissance de la Biopolitique*, and was published posthumously in French in 2004 and translated into English as *The Birth*

Thus in the second part of my thesis I will try to examine in detail the history of liberalism beginning with the breakpoint of the eighteenth century and the construction of liberal government as a new art of government which distinguishes itself in a certain way from ones preceded it.

What was changed in the 18th century? How the transformation from *raison d'Etat*- identified by mechanisms of sovereignty and discipline- to liberal art of government- identified by mechanisms of security- is realized? The answers and explanations given to these questions will construct the core of this section. In order to introduce in detail the liberal art of government we should first of all, like Foucault puts it, examine in detail 17th century with its own art of governing called *raison d'Etat*. After that we will be analyzing, in the second part of this section, how and why the transformation from *raison d'Etat* to liberalism is realized. While doing that we will interrogate ourselves about the dilemmas and challenges of *raison d'Etat*. Finally we will be explaining the liberal transformation and liberal art of government with its points of separation from reason of state.

3.1 Raison d'Etat: Powerful State, Control over Population, Mercantilism

Foucault's *Security, Territory Population* looked, essentially, at the governmental rationality associated with *raison d'Etat*, concerned with the maximization of state power and, thereby, with the wealth and well being of people (Kelly, 2009). As a consequence of political, social, economic and cultural transformation realized in the middle of the sixteenth century *Raison d'Etat* emerged and lasted beyond the middle of the eighteenth century when all the preconditions for the birth of modern industrial capitalism had been laid down (Zamagni & Screpanti, 2005: 27).

Two important conditions lay at the heart of this transformation realized in the middle of sixteenth century: Firstly the flow of gold from Americas ended up with the impoverishment of aristocrats and the enrichment of mercantile. Secondly the establishment of the modern states, essentially after the Westphalia peace declares the opening of a new era including a state of war between nation states, each of them intends to augment its internal power in order to fight against others in the world scale (Zamagni & Screpanti, 2005: 28-29).

Considered by Foucault as an “absolutely specific art of government with its own rationality” (Foucault, 2007: 359). *raison d’Etat* signifies an important event in the Western history during the sixteenth and seventeenth centuries.

...an event in the history of Western reason, of Western rationality, which is undoubtedly no less important than the event associated with Kepler, Galileo, Descartes, and so on at exactly the same time, that’s to say at the end of the sixteenth and in the course of the seventeenth century (Foucault, 2007: 375).

Foucault states that the first great episode, in the history of art of government, is defined by the existence of the administrative/absolute state with its political rationality of *raison d’Etat*. *Raison d’Etat* signifies a considerable break with the logic of government that had predominated in the middle ages when there was no properly specific theory of the state (Kelly, 2009). In this perspective for Foucault *raison d’Etat* represents a practice, or rationalization of a practice that based on the concept of state. With the establishment of *raison d’Etat* as a new rationality of government, the state started to be defined as an autonomous reality.

In this respect the art of government which was shaped around *raison d’Etat* “fixes its rules and rationalizes its ways of doing things by taking as its objective the bringing into being of what the state should be” (Foucault, 2008: 4). The government, according to the principle of *raison d’Etat*, presupposes that the state becomes wealthy and strong. That’s to say that it becomes strong in the face of everything that may destroy it (Foucault, 2008).

This new type of art of governing suggests that sovereign should govern his subjects in a manner that would ensure the preservation of the state (Tierney, 2008: 95). This type of government is, for sure, directed to the growth of the state to fulfil its potential in strength and wealth, justifying controlling interventions by means of discipline, mercantilist regulation and police. In short *raison d’Etat* is totally caught up with sovereignty.

Foucault begins his analysis about *raison d’Etat* by one of its important definitions: Palazzo defines *raison d’Etat* as something which assures the integrity of the state. Foucault emphasizes that *raison d’Etat* must ensure that the state really conforms to what it is and also it should be close to its essence. “*Raison d’Etat* is what allows the state to be maintained in good order” (Foucault, 2007: 377).

Further Foucault provides definitions of the reason of state from Botero, Palazzo, and Chemnitz and considers four commonalities within these definitions (Foucault, 2007: 339).

- Nothing in the definition of *raison d'Etat* makes reference to anything other than the state itself.
- *Raison d'Etat* is strongly articulated around the essence knowledge relation.
- *Raison d'Etat* is protective (or conservative); it is considered to identify what is necessary and sufficient to for the state to exist and to be maintained.
- There is no prior, external purpose, or even a purpose subsequent to the state itself.

In summary reason of state is considered as an art, that is, a technique conforming to certain rules; it is not an art of government according to divine, natural, or human laws... It represents a new type of government whose aim is to increase its strength within an extensive and competitive framework.

The question that is to be asked here is that “what is new about *raison d'Etat*?” This question, according to Foucault, has an obvious answer: The state. The latter, on Foucault’s account, is what must exist at the end of the process of the rationalization of the art of government (Foucault, 2007: 376). In other words *raison d'Etat* exists for the sake of state’s integrity.

In this respect it is obvious that from the definitions mentioned by Foucault *raison d'Etat* provides the preservation of the state. This preservation of the state is realized, according to Foucault, by different means of governing all aiming at European equilibrium. Here at this point Foucault goes a step further and makes an observation that states are situated alongside other states in a space of competition. They are integrated into a space of intensified economic exchange. In this respect it is obvious that each state tries to occupy a dominant position vis à vis other states. In short Foucault states that it is from the sixteenth and seventeenth centuries that relations between states were no longer perceived in the form of rivalry, but in the form of competition (Foucault, 2007: 381). In other words we are faced now with the development of the state’s forces; but no longer with territorial expansion (Foucault,

2007: 382). Force of the state is assured via diplomatic- military apparatus and police apparatus.

In order to integrate themselves into the European equilibrium states develop different means of governing under the art of government called *raison d'Etat*: mercantilism, police and permanent army and diplomacy. These three are essential means in the construction of a strong state which can participate in the zero sum game managing European equilibrium.

The competitive order, according to Foucault, represents a zero sum game because of the monetarist conception and practice of mercantilism. Since there is a certain amount of gold; and the wealth of a state is defined by its gold reserves than it is obvious that when one state gets richer the others impoverish (Foucault, 2008: 53). In other words the monetarist character of mercantilist policy entails that competition can only be conceived in the form of a zero sum game and so of the enrichment of some at the expense of others.

Monetarist system according to Foucault has two directions: On the one hand foreign policy aiming at equilibrium means states must limit their external objectives; on the other hand internal policy is unlimited. In this direction mercantilists have as their central aim to find out how to increase the wealth and power of the State. Foucault states, later, that mercantilism of the seventeenth century is regarded as not only an economic doctrine; but also as a particular organization of commercial production and circulation, according to the principles that the state should enrich itself through monetary accumulation, strengthen itself by increasing the population, and uphold itself in a state of permanent competition with foreign states. Mercantilism in this perspective represents much more than an economic doctrine, rather it becomes an integral part of the art of government called *raison d'Etat*.

In this respect one central and most dominantly mentioned characteristic of mercantilism is that it advocated protectionist policies (price control, control on export, control on cultivation etc....) and it emphasizes the goals of self sufficiency, a favourable balance of trade, vitality of key industries and the promotion of the power of the state (Tavora, 1996: 35). The theory of economic policy that sprang from mercantilist doctrine was simple:

Commercial policy had to be protectionist. Export duties had to be abolished and import duties raised. Moreover exports should be encouraged by incentives and imports hindered as far as possible and even forbidden in certain case (Zamagni & Screpanti, 2005: 35).

In this respect mercantilism encourages productive activity within borders, state subsidies, tax exemptions to enterprises, creation of state factories in order to create a powerful economy within its own territories. Colbert's France was an excellent example of growing mercantilism in Europe.

In fact mercantilism, in the name of power of state and population creates rules, policies, interdictions, limitations in order to prevent things, which can damage state and population, from occurring. For example mercantilism intervenes for preventing scarcity. This is made by various disciplinary restrictions on the cultivation – pricing, storage and export of grain.

These rules and restrictions exist within the mercantilist perspective in order to establish justice in the middle of the economic policy. It means that state, via mechanisms of law, creates rules and restrictions in order to assure justice within society. Mercantilism suggests that law decides if the government is legitimate, that's to say if it can assure justice among its members. In this respect market becomes a site of justice within the mercantilist policy. On the one hand market becomes a site of justice in the sense that it was invested with prolific and strict regulations (Foucault, 2008: 30). This means that the market decides which objects will be brought in the market; it decides also the procedures of sale, the duties to be paid etc... On the other hand it becomes a site of justice in the sense that the sale price fixed in the market was seen, both by theorists and in practice as a just price. That's to say that the price is to have a certain relationship with work performed, with the needs of the merchants, and of course with the consumer's needs and possibilities.

In summary market which is restricted by juridical authorities via mechanisms of law exists in order to assure the distributive justice within mercantilist system. By distributive justice mercantilists understand that the market permits that the poorest can reach at least some basic products. Therefore the protection of the buyer, against the risks within market, emerges as the fundamental principle within mercantilism: The aim of the regulation of the market was, on the one hand, a distribution of goods that was as just as possible, and then, on the other hand, prevention of theft and crime. Let's say that the market was a site of jurisdiction.

The emergence of the market as a site of jurisdiction shows us that there exists an external limitation to the sovereign. Law is now extrinsic to *raison d'Etat*. Jurists assure that government respects natural law and social contract. The essential aim of preserving the state is not an obstacle against the external limitation of law. Regulations and restrictions that emerge under mercantilist system, according to Foucault, show us that this governmentality with a tendency to be unlimited had in fact a counter weight in the existence of judicial institutions. The preservation of the state as the central aim gives administrative institutions a huge amount of power. However the appearance of market as a site of jurisdiction shows us the limits of mercantilist art of government. Thus it is possible to say that governmentality was not completely unbalanced and unlimited in *raison d'Etat*. Rather there was a system of two parts that are relatively external to each other (Foucault, 2008: 37). In short *raison d'Etat* is not exactly limited but counterbalanced by an external mechanism which is called law.

In this respect we are faced, within *raison d'Etat*, with a system which has a tendency to be unlimited. However there exists a system of law opposing it from outside within concrete and well-known political limits. In other words there is a contrast between royal power and those upholding the judicial institution.”(Foucault, 2008: 37).

In fact the defeat of mercantilism because of economic and social transformation in England and France resulted in the alteration of this relationship between law and government, also its taking of a totally new shape. With the physiocratic turn that we will be analyzing in the next part the market no longer appeared as a site of jurisdiction, but a mechanism that obeys what is natural. That's to say when physiocracy declares its emergence in the twenty years between 1756 (when Quesnay published his first article and Adam Smith's *Wealth of Nations* appeared) (Stathakis & Vaggi, 2006: 1). new rules of game are put into scene. What they suggest can be summarized, in general terms, as the acceptance of the principle of *laissez faire laissez passer* in order to establish freedom and a sort of naturalism at the centre of governmental rationality. In the new system of governmental reason, different from mercantilism, there exists this time a limitation, but an internal limitation. This time law will not be interested in sovereignty or in the integrity of the state; rather it will ask how to set juridical limits to the exercise of power. The

answer of this question will be given by the birth of political economy which will replace the role of law in the middle of the eighteenth century and will appear as the intellectual instrument of self limitation within liberal governmental rationality.

In this respect with this change of paradigms, physiocracy –first form of political economy- emerges as the dominant discourse and creates a new art of government, better to say a new rationality. We are now faced with a radical turn, from mercantilism to physiocracy, in the history of economic thought that signals the emergence of a new art of government: reason of the least state. Next I will analyze in detail how of this transformation and the main characteristics of the new rationality: reason of least state.

3.2 Liberalism: Physiocracy, Population and Internal Limitation

What interest is there in talking about liberalism, the physiocrats, [Marquis] d'Argenson, Adam Smith, [Jeremy] Bentham, the English Utilitarians, if not because the problem in fact arises for us in our immediate and concrete actuality? What does it mean if when we speak of liberalism- when we, at present, apply a liberal politics to ourselves, and what relationship may there be between this and those questions of right that we call freedoms or liberties (Foucault, 2008: 22).

After we have analyzed in detail what *raison d'Etat* is and how it was involved in mercantilism now we should study our main concern; that's to say the transformation realized in the middle of the eighteenth century: passage from *raison d'Etat* to classical liberalism via the emergence of political economy under the name of physiocracy. It should be noted here that there is an obvious shift in this term of the history: *Raison d'Etat* which is concerned with the growth of the state power is replaced by an opposite type of government; liberalism that consists in the internal limitation of state power, a limitation whose borders are determined by a new concept: interest.

3.2.1 From reason of state to the reason of the least state

Foucault argues that in the middle of the eighteenth century there was a transformation, from the previous logic of *raison d'Etat*, in the principle and regime of government. The years 1751-76 announced the beginning of the years of the *laissez faire* revolution. Mercantilism which had dominated European thought for 300 years was attacked and suddenly replaced by the emergence of physiocracy and

disappeared from the scene in a quarter of a century (Zamagni & Screpanti, 2005: 55). In this respect Foucault's *The Birth of Biopolitics* is concerned with a deliberately opposed governmental rationality, liberalism, which is of course concerned with maximizing wealth and well being – as *raison d'Etat*- but this time by limiting the state in the name of utility and interest. The essential characteristic of this transformation is the organization of various practices and techniques in order to limit governmental power internally. At this point political economy appears as the main instrument of this internal/non juridical limitation (Kelly, 2009) and utility as the only criterion of governmental action.

Foucault explores that the second great episode is established in the middle of the eighteenth century, essentially with the physiocratic turn in the history of economics. That's to say that the passage from *raison d'Etat* to a totally new art of liberal government is realized with the replacement of mercantilist economic theories by physiocratic ones.

Physiocrats first appeared in France and made serious critics about Mercantilist government intervention in economic affairs. They changed the notion of wealth as a consequence of their critics against mercantilists and by so doing they laid the foundations of economics as an independent science. According to them French economy was damaged because of the governmental intervention. Agriculturalists and landowners were subjected to negative economic forces in the form of conditions, rules and taxation. They defend the idea according to which there should be the complete freedom of commerce. Parallel to this they suggested that the interventions of the state are useless and laws established in order to regulate the market should be removed. In short the policy of commerce consists in the full freedom of competition. "...the truth is that all branches of commerce ought to be free, equally free, and entirely free" (Stephens, 1895: 252).

In his *Security, Territory, Population* Foucault, in order to show us the passage from mercantilism to physiocratic economic policies, examines in detail the problematic of scarcity in the eighteenth century France. French government, in accordance with its mercantilist economic policy, considered scarcity as an event to be avoided (Foucault, 2007: 52).

For a long time scarcity was countered by a system that I would say was both juridical and political, a system of legality and a system of regulations, which was basically intended to prevent food shortage, that's to say, not just to halt it or eradicate it when it occurs but literally to prevent it and ensure that it cannot take place at all (Foucault, 2007: 52).

While mercantilism acts in order to prevent something to happen; physiocracy, in its turn, led things happen on their natural course. In this perspective instead of working to prevent the one singular event of scarcity, this new approach allowed spontaneous fluctuations in a free circulation, being composed of various series of plural events – of pricing, supply, demand, and production; of behaviour of producers, consumers, buyers, importers, exporters- which were now all being analyzed as processes not to bring under control; but to grant their natural course. Physiocrats are not interested in preventing something in advance in accordance with the logic of the established “juridical disciplinary system”(Hoyer & Hjorth, 2009: 107).

Here the difference between mercantilism and physiocracy becomes clear: In the era of *raison d'Etat* governments acted in order to protect the buyer, prevent fraud and assure that justice rules. However with the establishment of liberalism economy starts to appear as obeying spontaneous natural mechanisms.

The game of liberalism basically means acting so that reality develops, goes its way, and follows its own course according to the laws, principles and mechanisms of reality itself. This ideology of freedom was one of the conditions of development of modern/capitalist forms of economy (Foucault, 2007).

With the physiocrats, the new art of government takes for granted that certain things are able to regulate themselves naturally. It allows things to happen. As Quesnay, one of the most important figures of physiocracy, puts it there exists the natural ability of an economic system to reproduce itself, as long as it is not obstructed by interventions of the political authorities (Zamagni & Screpanti, 2005: 157). This new type of government prefers to manage rather than to control through rules and regulations (Hoyer & Hjorth, 2009: 108). It acts by

Allowing circulations to take place, controlling them, sitting the good and the bad, ensuring things are always in movement, constantly moving around, continually going from one point to the other, but in such a way that the inherent dangers of this circulation are cancelled out (through) a progressive self-cancellation of phenomena themselves (Foucault, 2007: 65-66).

This new understanding of economic policies and the establishment of naturalism in the centre of governmental activities surely have important consequences. According

to Foucault government must, now, know these natural mechanisms. If it knows them then it respects them. It should have the knowledge. Much more important than this government must, now, know how to be good (as opposed to just) since there is not a just price determined in order to establish distributive justice. Rather there is a true price which is determined according to the balance between demand and supply. True price makes market “a site of truth”. In other words market is no more a place where justice assures itself. It is now a place that provides the truth for government to find its way to interest.

In short the liberal art of government is new in its mechanisms, its effects and essentially in its principle. It involves in the organization of numerous and complex internal mechanisms whose function is to limit the exercise of government power internally, Different from *raison d’Etat* of the seventeenth century interested in ensuring the growth of the state’s forces, wealth, and strength, the new art of government began to be formulated in the middle of the eighteenth century in order to establish a system of government between a maximum and a minimum, and minimum rather than maximum (Foucault, 2008: 27-28).

Compared to *raison d’Etat*, classical liberalism constitutes a new question, the self limitation of the government to allow the natural mechanisms of exchange markets to operate, just as *raison d’Etat* asked about the intensity, depth, attention to detail of governing for the sake of the maximum growth of power of the state (Protevi, 2009:15).

In short in the middle of the eighteenth century with physiocrats humanity passed from a regime dominated by structures of sovereignty to a regime dominated by techniques of government. This transformation points out a shift in the very nature of activity of governmentality. The sovereign of the physiocratic regime passes from political activity to theoretical passivity in relation to the economic process (Foucault, 2008: 293). This transition revolves essentially around population and consequently around the birth of political economy.

3.2.2 Population versus sovereignty

the perception of population problems and the recentring of economy made it possible to consider the problem of government outside the framework of sovereignty. And statistics escaped from the framework of sovereignty to act as one of the main forces in unblocking the science of government (Curtis: 2002).

During the seventeenth century as a result of the Thirty Years War and also rural and urban revolt the necessary conditions came into being that led to the arise of new modes of social organization (Miller, 2010: 24). This reorganization of social relations finished with the emergence of liberalism as a new rationality of government. In 18th century Europe the government of social relations started to be accompanied with the government of population. In other words the population displaced the prince as a site for accumulating power. The discovery of population emerged as the main element that enabled the transition from rule based on policing to rule in liberal governmentality.

To quote Steiner:

Governmentality effects the transition from the art of government structured around sovereignty (mercantilism) to a political science based upon techniques of population government, which lent shape to what Foucault called biopolitics, the novelty here lying in the formulation “make live and let die”. This is what is at stake with the emergence of political economy (Steiner, 2008).

This transition is realized essentially by the development of observational techniques, including statistics. In other words from the eighteenth century, with the appearance of new intellectual techniques, especially with the use of statistical methods, population began to be seen as a problem and object of government. (Hunter, 1994, p.28) Now government tries to know its population and searches new ways, techniques, procedures and legal forms in order to manage its members.

This transition is essentially realized with physiocrats and their economic theories. Now population is no longer the simple sum of the subjects who inhabit a territory. Rather it becomes as a variable that depends upon a certain number of factors that can be analyzed rationally. “As a political problem, population derived from the experience of police and emerged in correlation with the birth of biopolitical economy”(Curtis, 2002).

This means that we passed with liberalism from a system that involves in the accumulation of power by the sovereign to a totally new system suggesting the dispersal of power into the population. The main objective of this passage to the government of population involves in the fact that new rationality of government transforms the population into efficient and effective producers. Indeed governmentality reorganizes population as desiring and producing subjects. In this

way statistical data enables government to define groups in particular ways. It normalized certain characteristics while excluding others.

In this new rationality of government we are now faced, according to Foucault, no longer with the direct juridical influence and domestic authority as it was in *raison d'Etat*; but with forms of knowledge that granted the people life (Miller, 2010: 24).

Population is undoubtedly an idea and a reality that is absolutely modern in relation to the functioning of political power, but also in relation to knowledge and political theory, prior to eighteenth century (Foucault, 2007: 25).

In short it was the problematic of population and the technology of statistics that freed the art of government from the imitations of sovereignty. Population is now considered as a social subject within the new art of government. Also it becomes the object of government since it is now considered as the ultimate end of government. Population, conditions of populations, the field of the population, the movement of the population, population as a subject of needs and as an object in the hands of the government, the interest of the population: all this in a single page! (Foucault, 1994: 652).

In conclusion with the physiocratic turn realized in the middle of the eighteenth century the liberal techniques of government established a new rationality of government that was distinguished radically from *raison d'Etat* which preceded the former. For sure the core point of this new rationality of government is realized within the mechanism of the market. The market under the liberal art of government takes absolutely a new shape, and its new structure appears as the basis of liberalism. Now political economy, the instrument of liberalism, enables a judgment of government action in terms of truth.

3.2.3 Liberal market - from the site of justice to the site of truth

“Government is now to be exercised over what we could call the phenomenal republic of interests (Foucault, 2008: 46).

Foucault suggests that the new art of government formulated in the middle of the eighteenth century must be left to function with the least possible interventions in order to formulate its truth and propose it to governmental practice as rule and norm (Foucault, 2008: 30). At this point, the very essential point in the construction of liberal art of government emerges: Market as a site of truth.

The identification of market as a site of truth lies at the heart of liberal art of government. It is the key point that distinguishes new art of government from the older one. Foucault, as we have mentioned in the previous chapter, points out that in the sixteenth and seventeenth centuries the market appears as a site of justice. In other words market was a site invested with regulations and the sale price fixed in the market was seen as a just price (Foucault, 2008). What does this mean? It means that “price was to have a certain relationship with the work performed, with the needs of the merchants, and of course, with the consumers’ needs and possibilities (Foucault, 2008). In this way market became a site of distributive justice.

For example Aristotle’s just price theory suggest that just price of goods are defined essentially on the basis of the equivalence of the values exchanged. In this Aristotelian theory just price is determined by the common evaluation of normal price in the absence of monopoly. In the same way there exists a theory of just wage which assures the worker a standard of living.

According to the just price mechanism, of course, there should be a profit which is included in the cost of production. However this profit should be both moderate and fair. The profit of the merchant should be an honourable earning that lets him to look after his family and to devote a little money to charity.

For just price theory it is obvious that the just price is an intrinsic property of a good. The core discussion emerges at this point: How the intrinsic value of a good is determined? There exist two answers to this question: Firstly the theory of the efforts sustained in production, secondly there appears the theory supposing the capability of a good to satisfy a human need. However we are faced here with the objective property of a good.

Concerning the just price mechanism regulations are made, in this perspective, for the sake of the protection of distributive justice. In fact just price mechanism that dominates the history of economic thought until the emergence of liberal government wonders if commerce acts in a legitimate way. For commerce to gain legitimacy is totally linked to its profit for the collectivity. In short commerce should respect what is collective and public. Market regulations are established in order to assure the safety and profit of the collectivity.

These regulations of the market as a site of jurisdiction are replaced in the middle of the eighteenth century by an attitude involved in the natural. Market, now, should obey what is spontaneous (Foucault, 2008: 31). What liberal art of government wants is to let market to function according to its own nature. This is called pure and simple *laissez faire*. Market is no longer a place where justice is established and guaranteed; rather it is a place where the truth realizes itself in its entire natural course.

Remove all useless, unjust, contradictory, and absurd laws, and there will not be much legislative machinery left after that... (Samuels, 1962: 146).

When you allow the market to function by itself according to its nature, according to its natural truth, if you like, it permits the formation of a certain price which will be called, metaphorically, the true price, and which will still sometimes be called the just price, but which no longer has any connotations of justice. It is a certain price that fluctuates around the value of the product (Foucault, 2008: 31).

In this way the just price of the seventeenth century is replaced by natural/good price. Then what is good price? According to the physiocrats within the borders of the principle of *laissez faire* the price is determined essentially by natural balance of demand and supply. The essential problem for liberal government is the promotion and protection of agricultural resources. Since the main objective of physiocracy lies in the promotion of agricultural activity then high and stable prices of agricultural products and their provision on a large sales market are essential.

The government's efforts must be directed towards the encouragement of all expenditures which tend to maintain the high price of agricultural products and ensure a sufficient effective demand to cover the supply of these goods (Samuels, 1962: 155).

Thus we are faced, as Foucault puts it clearly, with a new rationality of government that is no longer interested in neither distributive justice nor intrinsic value of a product. What matters is realized within the balance of supply and demand in a market that leaves to function in its own natural course.

Later by the formation of a true or natural price we have the possibility to verify or falsify the governmental practice. The natural price is now a criterion for judging the correctness of governmental action. Consequently the market determines that good government is no longer quite simply one that is just. The market now means that to be good government, government has to function according to truth.”(Foucault, 2008: 32). And at this point political economy takes its role. It helps government to

find the principle of truth of its own governmental practice. It should tell when and where governmental practice takes place. Government now must take into account political economy rather than law and the principle of justice.

Further, after talking about the role of political economy in the construction of frugal government, Foucault makes a remark on the concept of utility which replaces justice and which increasingly encompasses all the traditional problems of law since the beginning of the nineteenth century. By this, Foucault wants to show us that the measures of public authorities' interventions, their self-limitation are realized by reference to the principle of utility, rather than the principle of justice (Foucault, 2008: 41). In other words public authorities do not act in the name of law and justice as it was in the mercantilist system, they act in the name of utility and when we are talking about utility involves also in the concept of *interest*.

On the basis of the new governmental reason- and this is the point of separation between the old and the new, between *raison d'Etat* and reason of the least state- government must no longer intervene, and it no longer has a direct hold on things and people; it can only exert a hold; it is only legitimate, founded in law and reason, to intervene, in so far as interest, or interests, the interplay of interests, make a particular individual, thing, good, wealth, or process of interest for individuals, or for the set for of individuals, or for the interest of a given individual faced with the interest of all, etcetera. Government is only interested in interests. (Foucault, 2008: 45).

We have here the double character of new governmental reason: On the one side we have the market as a site of exchange and also veridiction regarding the relation between value and price; on the other side we have public authorities whose role is determined by the principle of utility. In other words we have a market that emerges as a site of veridiction and also we have the principle of utility that accepts the interventions of public authorities if only they are useful. The essential point of intersection between these two faces of liberal government involves the concept of interest.

Interest appears, in Foucauldian analyzes of liberal art of government, as a conceptual dilemma that should bring together what is individual and what is collective.

In the principle to which governmental reason must conform, interest is now interests, a complex interplay between individual and collective interests, between social utility and economic profit, between the equilibrium of the market and the regime of public authorities, between basic rights and the independence of the governed. Government at any rate government in this new governmental reason is something that works with interests (Foucault, 2008: 44).

At this point we should return to the system of sovereignty. In this system the sovereign has a direct relationship to the things that belong to its realm. In other words he has its own realm and he has the right to intervene in things that belong to his realm. However in the new governmental reason called liberalism government does not have a direct hold on things. He can only intervene if its intervention is involved in interest. Governmental intervention gains legitimacy only if it conforms to interest. The most important question becomes, here, the utility value of government and all of its actions. In short with the establishment of liberal art of government we have the notion of interest as the operator of governmental actions.

Further Foucault puts another point of difference between *raison d'Etat* and liberal art of government that succeeded it. According to Foucault *raison d'Etat* appears as a system that depends on the strength of the state. We are faced at this point unlimited internal objectives of the state in the sake of its own strength. On the one hand the main objective of the state is to strengthen itself endlessly; on the other hand this aim led to the point where the European balance appears. This means that “What one state acquires must be taken from the wealth of the other; one can only enrich itself at the cost of the others” (Foucault, 2008: 52).

In short the zero sum game between the European states gives rise to the emergence of the European balance. Foucault thinks that this zero sum game is the consequence of mercantilist policies of *raison d'Etat*. Since there is a certain amount of gold in the world monetarist conception and practice of mercantilism led to the conclusion according to which whenever one state gets richer it will take from the common stock of gold and consequently impoverish the others.

In the middle of the eighteenth century this situation has changed. The mechanism of good price can be profitable to both buyer and seller. In other words the competition does resulted from a redistribution divided unequally at the expense of one and to the advantage of the other. “The legitimate game of natural competition, that is to say,

competition under conditions of freedom, can only lead to a dual profit” (Foucault, 2008: 53).

Indeed the market mechanism depends on the ideal of mutual enrichment. It tries to realize maximum profit for the seller and minimum expense for the buyer. And this is the point that lays in the hearth of the liberal economic game. The enrichment of one country is possible by the enrichment of other countries. In short there is a correlative enrichment at the heart of liberal economic game. From this perspective Foucault suggests that in the middle of the eighteenth century “we enter an age of an economic historicity governed by, if not unlimited enrichment, then at least reciprocal enrichment through the game of competition.”(Foucault, 2008: 54). This is the idea of European progress that rejects the conception of the economic game as a zero sum game. And for the first time in European history Europe is considered as an economic unit and economic subject in the world (Foucault, 2008: 55). In consequence what Foucault understands from liberal government is essentially determined by three important points: the establishment of the market as a site of truth, political economy as the main instrument of this new type of market and mutual enrichment between European states.

...veridiction of the market, limitation by the calculation of governmental utility, and now the position of Europe as a region of unlimited economic development in relation to a world market. This is what I called liberalism (Foucault, 2008: 61).

3.2.4 Liberalism versus *raison d’ état* - *security versus discipline*

In order to examine in detail the transformation of governmental practices we should now go a step further. With the liberal transformation realized in the middle of the eighteenth century a new episode in the mutation of technologies of power has come into being. *Raison d’Etat* is accompanied with a police state that suggests an unlimited government and extrinsic legal limits focused on sovereign rights. Liberalism, in its turn, suggests the establishment of physiocratic rationality with apparatuses of security that appear as the fundamental element of the liberal art of government.

In this perspective this section will explore the core of the liberal governmentality; that’s to say apparatuses of security. During the analysis around the question of security Foucault takes into hand the shift realized in the context of the relationship

between the government and the governed. At this point Foucault makes a classification in order to explore the essential points distinguishing liberal governmentality from that preceded it.

He constructs his reflections upon a triptych of legal (classical system)-discipline(modern system) and security system(contemporary system). However Foucault clarifies it that there exists not an absolute distinction between these three periods. This means that there exist not firstly the legal age, then disciplinary age and finally security. Rather there is a correlation between these three.

So, there is not a series of successive elements, the appearance of the new causing the earlier ones to disappear (Foucault, 2007: 22).

...there is not a succession of law, then discipline, then security, but that security is a way of making the old armatures of law and discipline function in addition to the specific mechanisms of security (Foucault, 2007: 25).

In fact according to him sovereignty is exercised within the borders of territory, discipline is exercised on the bodies of individuals and finally security is exercised over a whole population. In other words sovereignty capitalizes a territory, raising the major problem of the seat of government. It affects individuals as a set of legal subjects. Discipline affects, in its turn, individuals as a multiplicity of organisms, of bodies capable of performances. Finally security, which became dominant in the 18th century, will try to plan a milieu in terms of events, or series of events or possible elements of series that will have to be regulated within a multivalent and transformable framework. Milieu means what is needed to account for action at a distance of one body on another (Foucault, 2007: 36). In this respect the concept of “milieu”, as we have seen, becomes central in the Foucauldian definition of the new art of government established in the 18th century.

The law – instrument of sovereignty- is the work of the imagination in that it requires thought concerning what will happen and what must not happen; discipline is a work complementary to this for if man is wicked there is a need for a prescribed framework to constrain him. Finally in its turn security works on reality, in that government has to inscribe itself within the reality of the object of government (Steiner, 2008: 506); in other words the natural tendency of men to follow their interest when it concerns the market.

Here again the example of scarcity is used by Foucault in order to establish differences between these three mechanisms. Foucault tells us that scarcity was countered by a both juridical and political system. This legal system intended essentially to prevent scarcity from happening. This means that the legal system intervenes and acts before the problem occurs. This legal mechanism tries to prevent scarcity from happening well before by establishing price control, limits on export, limitation of land under cultivation etc...These are precautions that take place in order to limit the phenomenon of scarcity. This is, according to Foucault, a system of constraints since it brings with it interdictions, limits and so on. This is called by Foucault an anti scarcity system which is adopted by the mercantilist of the seventeenth century in France (Foucault, 2007: 54). “This anti scarcity system is basically focused on a possible event, an event that could take place, and which one tries to prevent before it becomes reality.” (Foucault, 2007: 54).

In the eighteenth century when physiocratic turn takes place the free circulation of grain is established. This transformation signifies an important change in the techniques of government and also an element in the deployment of apparatuses of security. With this turn in the history of economic thought what is to be avoided and considered as an evil in the juridico legal system becomes a natural event from the physiocratic point of view. In short the apparatuses of security lets things happen. Scarcity in this way should be considered neither good nor bad, simply a phenomenon which is totally natural.

In this way scarcity becomes the real object of the system of security. This means that all conditions that affect the phenomenon of scarcity will be supervised by security mechanisms.

By working within the reality of fluctuations between abundance/scarcity, dearness/cheapness, and not by trying to prevent it in advance, an apparatus is installed, which is, I think, precisely an apparatus of security; and no longer a juridical-disciplinary system (Foucault, 2007: 60).

By analyzing the same example of scarcity Foucault puts another point of difference between disciplinary and security mechanisms. The disciplinary system according to Foucault is essentially centripetal. This means that it concentrates on one side of the problem. However the mechanisms of security are totally centrifugal. It concentrates on various events concerning the current situation.

[the disciplinary police of grain] is in actual fact centripetal. It isolates, it concentrates, it encloses, it is protectionist, and it focuses essentially on action on the market or on the space of the market and what surrounds it. In contrast you can see that the apparatuses of security, as I have tried to reconstruct them, have the constant tendency to expand; they are centrifugal. New elements are constantly being integrated: production, psychology, behavior, the ways of doing things of producers, buyers, consumers, importers, exporters, and the world market. Security therefore involves organizing, or anyway allowing the development of ever wider circuits (Foucault, 2007: 67).

In this respect the space of the security dispositif is no longer organized within the cells and the grids of discipline, neither does it rely on the temporality of homogenous units of time, or impose the disciplinary conduct on the individual body. Instead it assumes a given milieu of circulation, it assumes the aleatory occurrences of events, and it derives its norms from statistical regularities calculated on the level of the population. The population is seen here from the perspective of its opinions and beliefs, ways of doing things, customs and habits, forms of conduct and behaviour, requirements, fears and prejudices (Foucault, 2007: 367). This perspective makes population manageable.

In short while discipline, which is centripetal, relies on a protectionist character security, which is centrifugal, concentrates on various elements involved in the process: production, psychology, behaviour, consumers, importers, exporters and so on. Discipline tries to control everything; in its turn security lets things happen.

Legal mechanisms distinguish between what is permitted and what is prohibited. Discipline mechanisms tell individuals what they should do in a précis and given condition. Finally security tries to grasp things at the level of their nature (Foucault, 2007: 69).

In other words, the law prohibits and discipline prescribes, and the essential function of security, without prohibiting or prescribing, but possibly making use of some instruments of prescription and prohibition, is to respond to a reality in such a way that this response cancels out the reality to which it responds –nullifies it; or limits, checks, or regulates it (Foucault, 2007: 69).

Further Foucault puts another point of difference that separates mechanisms of security from discipline and law. Here the subject of intervention of these mechanisms gains importance. Of course mechanisms of discipline, like its successor, are exercised on the bodies of individuals but there is an important difference that distinguishes it from mechanisms of security: while discipline works by atomizing a multiplicity of people into individuals in order to organize, monitor, utilize or cultivate them as discrete bodies, security works by amalgamating the same multiplicity of people into a population in order to stimulate, assist, regulate or manage them as a living resource residing in a particular environment.

School and military discipline, as well as penal discipline, workshop discipline, worker discipline, are all particular ways of managing and organizing a multiplicity, of fixing its points of implementation its lateral or horizontal, vertical and pyramidal trajectories, its hierarchy and so on (Foucault, 2007: 56).

Foucault says that liberal government via mechanisms of security rather than directly controlling bodies has developed new, different means to control the society as a whole. In this perspective this new art of government concentrates on the management of the relations of power, enabling them to develop in its preferred ways while impeding, balancing and manipulating them in other ways. “Dispositifs” are central actors involved in these games of power. Foucault defines *dispositive* as a heterogeneous whole that comprises discourses, institutions, architectural forms, regulatory decisions, laws, administrative measures, scientific precepts, philosophical, moral and charitable propositions. In this way the concept of dispositive can be understood as a network of relations.

On the other hand security mechanism tries to regulate various events realized by the population in its natural environment; rather than trying to establish mechanisms of safety and assurance (Valverde, 2007). By the establishment of security mechanism in the eighteenth century the territorial sovereign became the regulator of a milieu. In other words he is not very much interested in establishing limits and frontiers; rather the sovereign of the eighteenth century involves in ensuring circulations (Foucault, 2007: 51).

To quote Foucault security works, in the respect of the natural, by:

allowing circulations to take place, controlling them, sifting the good and the bad, ensuring things are always in movement, constantly moving around, continually going from one point to the other, but in such a way that the inherent dangers of this circulation are cancelled out (through) a progressive self cancellation of phenomena by the phenomena themselves (Foucault, 2007: 65-66).

In this mechanism of security, population is the target, political economy is the cognitive resource and institutions, notably a self regulating market, are the technologies. Foucault states that the “make live let die” appears as the motto of the era.

All that have been mentioned above leave us with the only fact that liberalism reality develops and follows its natural course. The only answer given by liberalism and its security mechanisms is pronounced as “*laissez faire, passer et aller.*” From this perspective physiocracy appears as a strict critique of all the administrative rules and regulations through which the sovereign’s power was exercised on the economy (Foucault, 2008: 284). In short the physiocratic state’s art of government must now manage and no longer control through rules and regulation; rather it lets natural process work.

In conclusion liberalism via mechanisms of security created a system that suggests the liberal conduct of conduct in every detail of daily life. This new system is born out of *raison d’Etat* but evolved in time and distinguishes itself radically. By the establishment of security mechanism sovereign is now the regulator of a milieu. He is not very much interested in establishing limits and frontiers; rather he involves in ensuring circulations.

This new art of government with the mechanisms of security is interested, as we have seen above, in the liberal conducting of conduct in every detail of daily life. The security mechanism puts limitations, controls etc... However the main objective of liberalism was to assure freedom to individuals taking as its central point naturalism and natural course of events. At this point the dilemma in the very origin of liberal art of government emerges. The next chapter will be analyzing this relation between freedom and the liberal art of government, the vicious circle the relation includes in its very nature.

3.2.5 Liberalism and freedom – *friends or enemies*

Foucault, at his final lectures about liberalism, interrogates the relationship between liberal government and freedom. He establishes the dilemmas, concerning the question of freedom, in the very origin of liberalism by concluding in the end that these dilemmas are the essential reason of its replacement by neoliberalism.

His reflections about the relationship between liberalism and freedom are involved in the question if natural tendencies of liberalism and its spontaneous character, they signify that liberalism takes for granted individual freedoms?

Foucault answers that liberalism appears, first of all, as a producer of freedom. He thinks that the central aim of liberal government is not free individuals. The formula of liberalism, according to him, is not “be free”. “Liberalism must produce freedom but this very act entails the establishment of limitations, controls, forms of coercion, and obligations relying on threats, etcetera” (Foucault, 2008: 64).

The main aim of liberal government involves in the economy. It tries to create necessary conditions for the establishment of free trade. However for trade to be free there should some restrictions, rules and obligations. Here lies the dilemma of liberal government. A concrete example of this situation is the American example. In the nineteenth century America adopts protectionist economic policies in order to fight against English hegemony. Or if we think locally, for the freedom of the internal market antimonopoly regulations are necessary. Here it is clear that liberal government takes as legitimate the necessary interventions in order to protect the natural, natural course of events. Liberal government needs the organization of freedom. All of these mean that freedom in liberalism is not a given but a production. And the limits of this production is determined the concept of security.

Security is defined, at this point, according to Foucault, as the protection of collective interest against individual interest (Foucault, 2008: 65).

In short, strategies of security, which are, in a way, both liberalism’s other face and its very condition, must correspond to all these imperatives concerning the need to ensure that the mechanisms of interests does not give rise to individual or collective dangers (Foucault, 2008).

In order to put into practice the mechanism of security liberalism created its main instrument: culture of danger. This culture of danger, on Foucault’s account, is essentially different from ones that preceded it. For example danger shows itself as

war, death and plague in the middle ages. In the nineteenth century, with liberalism, individuals face everyday dangers. This new kind of danger is called political culture of danger

From the same perspective liberal government creates mechanisms of control, constraint and coercion as counterparts of freedom. Liberal government nourished by the political culture of danger takes charge of the everyday behaviour of individuals. By these mechanisms individual attitudes are taken under control by liberal government.

Panopticon, presented by Bentham, is one of the most important of these mechanisms of control. By this method individuals and their conduct are supervised. Like it has been well defined by Foucault panopticon can be seen as the very formula of liberal government.

Finally Foucault says that "...control is no longer just the necessary counterweight to freedom, as in the case of panopticism: it becomes its mainspring" (Foucault, 2008: 67).

By saying that Foucault wants to show that in the name of freedom liberal governments start to intervene in various fields of social and economic life. He gives here the example of Roosevelt politics started in 1932. Especially the welfare policies created after World War II, according to Foucault, are the main examples showing how interventions in the name of freedom have taken the form of despotic government (Foucault, 2008: 68).

As we have seen above liberalism which is intended to create freedoms finishes with mechanisms of control, constraint and coercion. Instead of freedom liberal government creates wide spaces for interventions. This dilemma of liberalism is called by Foucault "liberogenic". This point represents also the preparation for a new breakpoint which will show itself in the twentieth century with the birth of neoliberalism as a response to liberogenic character and crisis of liberalism.

We can say that around Keynes, around the economic interventionist policy perfected between 1930 and 1960, immediately before and after the war, all these interventions have brought about what we can call a crisis of liberalism, and this crisis manifests itself in a number of re-evaluations, re-appraisals, and new projects in the art of government which were formulated immediately before and after the war in Germany, and which are presently being formulated in America (Foucault, 2008: 69).

As Foucault puts it with liberalism control becomes the mainspring of freedom. Liberalism created new mechanisms in order to increase and assure freedom; however it ended up with the emergence of culture of control and danger. Roosevelt's welfare policy and Keynesianism can be shown as the most interesting examples of this. Roosevelt's New Deal promises political freedom, freedom of consumption and freedom of labour, however in turn he finishes with a much more interventionist economy (Kaya, 2011: 10). In short, as the result of all of these, liberalism produced its own crisis, the crisis of governmentality.

Later, self interrogation of liberals, their own critics about the liberogenic character of liberalism will be accompanied by their absolute belief in free market and in the end liberals of the twentieth century will rename themselves and create a new school of economics called neoliberalism which will be formulated around "statephobia" (Foucault, 2008). The next section will be analyzing the second transformation (neoliberalism) and will be following the outline of Foucault's *The Birth of Biopolitics*. That's to say after a short review of classical eighteenth century liberalism we will be exploring two forms of neoliberalism : The German neoliberalism associated with the Ordoliberals in the 1930-50s and the American neoliberalism associated with the Chicago School in the 1960s (Hoyer & Hjorth, 2009: 100).

4. HISTORY OF ART OF GOVERNMENT: FROM LIBERALISM TO NEOLIBERALISM

“Neoliberalism is not Adam Smith; neoliberalism is not market society; neoliberalism is not the gulag on the insidious scale of capitalism (Foucault, 2008: 131).

Foucault’s main concern in his lectures published under the title *The Birth of Biopolitics* involves the transformation from liberalism to neoliberalism realized in the twentieth century. This is also the linkage point between his two books that I have taken as my main references in this thesis. *The Birth of Biopolitics* will analyze liberalism where *Security Territory Population* left off.

The term neo-liberalism is one that is commonplace in both academic and activist circles. Understood as capitalist imperialism by some, as market-based policies by others, neo-liberalism is a contested term that continues to have exceptional significance in a period of renewed globalization and transnationalism. The initial rise of neoliberalism as a wide ranging economic and political strategy was essentially associated with the neoliberal regime shift in Britain and US in the late 1970s. From this perspective it would not be wrong to say that 1970s and especially 1980s signify a revolutionary turning point in the world’s social and economic history. Since then it is obvious that there is a shift from a social-democratic New Deal liberalism to a global Thatcher-Reagan style neoliberalism⁵ that shows itself as an unstable and contradictory political form with a lot of question marks.

Characterized by its ambiguous/indefinite character (Gambetti, 2009: 144), neoliberalism occupies world history starting with the 1980s. However neoliberal agenda and its origins go well beyond that date. That’s the point that Foucault explores, in *The Birth of Biopolitics*, by making a genealogy of art of government around the transformation of twentieth century.

In this respect Foucault’s analysis in *The Birth of Biopolitics* refers, essentially, to the origins of neoliberal thought. At this point we will be analyzing thinkers and schools

that debated for years the way forward for liberal capitalism in the light of the failures of laissez faire exemplified in the great crash of 1929. As it is well known the Great Depression which originated in 1929 in US and spread world over by 1930s was characterized essentially as a negative result of laissez faire and fully market oriented policies. In this respect we will be analyzing, before continuing with neoliberalism, 1929 economic crisis and welfare policies established after that in order to understand the general conjuncture within which neoliberal thinkers and schools developed their theories.

4.1 The Great Depression and Welfare Policies of After World War II

Let us clear from the ground the metaphysical or general principles upon which, from time to time, laissez faire has been founded. It is not true that individuals possess a prescriptive natural liberty in their economic activities. There is no compact conferring perpetual rights on those who Have or on those who Acquire. The world is not so governed from above that private and social interests always coincide. It is not so managed here below that in practice they coincide. It is not correct deduction from the principles of Economics that enlightened self-interest always operates in the public interest. Nor is it true that self interest generally is enlightened; more often individuals acting separately to promote their own ends are too ignorant or too weak to attain even these. Experience does not show that individuals, when they make up a social unit, are always less clear-sighted than when they act separately (Keynes, 1932: 592).

These words were pronounced in 1926 by Keynes who will be the most important figure of opposition against liberalism and also the creator of welfare policies established after the 1929 economic crises. In this perspective we will be analyzing in the first place The Great Depression and then welfare policies established as a response to it. The objective of this section is to understand the general context within which neoliberal thought emerges as a new model of liberalism.

The Great Depression shows itself firstly through the weakening demand of farmers and industrial workers. There exists, on the other hand, greater wealth concentration within the investor class. Banks, which are at the centre of the crisis, began to loan money to stock buyers. However the precipitous fall in stock prices from their previously inflated values sent many investors and their creditors bankrupt, leading to a dramatic fall of new investment in production. In short, with the 1920s, structural overcapacity and unregulated financial markets led to an explosion of stock-market speculation. In 1927, a stampeding market led the Federal Reserve

Board to raise interest rates to moderate the excessive growth in credit-fuelled consumer demand and thus contain price inflation on goods and services. The rise in US interest rates forced up interest rates around the globe, damaging the credit-worthiness of heavily indebted countries (Bernstein, 1997).

In short unregulated financial markets led to an explosion of stock market speculation. It becomes necessary at this point for the Reserve Board to raise interest rates to moderate the excessive growth in credit fuelled consumer demand. This was a total intervention into the market mechanism that opposes liberal economic program (Bernstein, 1997).

The Great Depression invoked two considerable transformations concerning the role of government in the economy under a specific political program called New Deal and Keynesian Revolution that have become dominant in the economy. Although some of their policies and ideas were controversial, both Franklin D. Roosevelt and British economist John Maynard Keynes provided an indispensable source of leadership and skill in bringing America out of the Great Depression (Schraff, 1990).

After the Great Depression, Americans call for an expanded role for government. The federal government took over responsibility for the elderly population with the creation of social security and gave the involuntarily unemployed unemployment compensation. All of this required an increase in the size of the federal government. During the 1920's, there were, on average, about 553,000 paid civilian employees of the federal government. All of these show us the vast expansion of the federal government's role during the depressed 1930's (Perkins, 1957).

When Democrat candidate Franklin D. Roosevelt was elected US president in 1933, as a way to end the Depression, he launched his New Deal including large scale state intervention on March. The New Deal created a series of agencies that were designed to stabilize, revive, and eventually bring the American economy completely out of the Great Depression (Schraff, 1990). In fact, the New Deal was described by Adolf Berle in William E. Leuchtenburg's book, *The New Deal*, as aiming to:

Introduce a power of organization into the economic system which can be used to counterbalance the effects of organization gone wrong; and to make sure that the burdens of readjustment are equitably distributed, and that no group of individuals will be ground to powder in order to satisfy the needs of an economic balance (Leuchtenburg, 1968: xv).

In this respect The New Deal aimed to provide cash for the poor and create long term plans for economic revitalization. An emergency relief apparatus was set up to hire unemployed workers on a massive scale. During the US winter of 1933-34 some four million people were given temporary employment in public works programs.

The New Deal brought with it the creation of various social betterment programs; for example, the Civilian Conservation Corps (CCC), established in March 1933, created jobs by sending unemployed men to plant trees and cut trails in wilderness areas. The Agricultural Adjustment Act (AAA) stabilized crop prices by limiting the amount of crops and livestock farmers could grow, based on the supply and demand principle. The most significant measure of Roosevelt's New Deal was the Social Security Act of 1935, under which the federal government would set aside revenue raised through a special tax on both employers and workers to fund pensions for retired workers. On the other hand The National Industrial Recovery Act set up the New Deal's fundamental strategy of centralized planning as a means of combating the Depression (Schraff, 1990).

The most important figure behind after depression policies was John Maynard Keynes whose theories explain why depressions occurred and what might be done to prevent them. Many of Keynes's ideas helped to influence America during the Great Depression, namely, Roosevelt and his New Deal. Roosevelt drew much of his inspiration for the New Deal from the writings of British economist John Maynard Keynes, who believed that a government's deficit spending could prime the economic pump and jump-start the economy. The years following the Great Depression are essentially shaped around his theories. Moreover Keynes wrote the book, *The General Theory of Employment, Interest, and Money*, in which he defends the theory of a demand-determined economy that suggests full employment. He also condemned the effectiveness of price flexibility as a way to cure unemployment. In general terms according to Keynes government should use its massive financial power as a sort of ballast to stabilize the economy. Government, from this perspective, can be used as a counterweight to the market forces. In the last chapter of *The General Theory*, Keynes identifies the two main problems of capitalist economies as being an excessive degree of income concentration and the inability of these economies to maintain full employment of their resources (Carvalho, 2006) Keynes, also, defended a government focused on defending individual liberties, but a

government anyway. This means that according to Keynes, different from classical liberals, this is not a contradiction.

In this context we can say that the years following the Great Depression created a totally new economic and political system. The economic system established after World War II is called “Keynesian Compromise”. This new type of capitalism was born as a reaction to the greatest crises of the international capitalist system to date, the Great Depression of the 1930s (Campbell, 2004: 3). The characteristics of this period could be summarized as high employment rates, large growth rates, development of a welfare system. There exists a huge governmental intervention, planning programs, policies of welfare, social security and full employment etc... It seems now that market is controlled and regulated by government actions. These new conditions which were established after the Great Depression created for liberals a new occasion to rethink about liberalism. The 1929 crisis showed the negative consequences of liberalism.

Keynesian type of capitalism in the end of the 1970s faced a structural crisis that shows itself with the decline of the profit rate, high unemployment rates and cumulative inflation. After this period, capitalism started to be interrogated. All of these led to the reorganization of capitalism and brought into life a new type of capitalism called neoliberalism. Since then there has everywhere been an emphatic turn towards neoliberalism in political economic practices and thinking led to the discussion and eventual development of a new liberalism which will be later called neoliberalism. Welfare policies, planning programs, state interventions on economy are largely contested by liberals. Of course they know mistakes made by classical liberals. However they still believe in market mechanisms. They have made various critiques about progressive state interventionism. Now, according to them, there should be a new liberalism which is of course shaped around the market; but this time it will take into consideration its deficits. That’s why role of the state and market should be rethought and reorganized. “Neoliberalism is a particular organization of capitalism. Its birth consisted of a reorganization of the previous organization of capitalism” (Filho & Johnston, 2005: 2).

The Keynesian Compromise established in years following the Great Depression is, according to neoliberals, considered as a temporary solution. They believe that the only solution can be possible with the construction of a free market regime.

According to them government spending should only be on those things markets cannot do. However different from classical liberals new liberals do not think that government regulation should be removed of markets in general. Rather, both markets themselves and the environments they operate in are always created by government regulations (Filho & Johnston, 2005).

Indeed Foucault put forward the idea that the liberalism of the 20th century - neoliberalism- does not relate to that of the eighteenth century (Steiner, 2008: 508). Neoliberalism, first of all, appears as a theory which searches for an answer to the question how to re-engineer the state so that it can guarantee the success of the market and corporations.

Instead of defending the market against the state, and in contrast to the social democratic project where the state apparatus is used to limit the excesses of the price mechanism and protect the social body from turbulences generated by the capitalist accumulation process, neoliberalism aims to transform the state and its mode of exercising sovereignty according to the logic of the market economy (Madra & Adaman, 2010: 3).

At this point, more specifically for the state/market relations, different schools and thinkers started, essentially after the Great Depression, to interrogate classical type of liberalism. Here it is possible to say that neoliberalism appeared as a response to questions raised by liberalism.

What distinguishes neoliberalism from classical liberalism? It is, first of all, the inversion of the relationship between politics and economics. Arguments for liberty become economic rather than political, identifying the impersonality of market forces as the chief means for securing popular welfare and personal liberty.

As we will examine in detail later Foucault's analysis will show us that German ordoliberals and the Chicago economists different from earlier classical liberalism that sought to isolate the market from the interventions of the state, seeks to govern the social by generalizing the economic logic of markets throughout the state apparatus and by promoting its extension to the entire social domain (Madra & Adaman, 2010: 9). Keynesian economic policies which became dominant after the Great Depression will emerge, at this point, as the main point of connection between these two schools.

“...First of all there is the main doctrinal adversary, Keynes, the common enemy, which ensures that criticism of Keynes will pass back and forth between these two neoliberalisms” (Foucault, 2008: 79). Keynesian economic interventionist policy from 1930 until 1960s has brought about what we can call a crisis of liberalism. And this crisis of liberalism occurs as the fundamental reason in the origin of neoliberal transformation. This crisis manifests itself in a number of revaluations, re appraisals, and new projects in the art of government which were formulated before and after the war in Germany and which are later formulated in America.

Foucault, indeed, refers in his analysis in *the Birth of Biopolitics* to the Walter Lippmann Colloquium of 1939⁶ in order to study in detail ordoliberal response of new liberals to the failures of classical liberalism. After that, Foucault turns his face to the other side of the Atlantic in order to focus on the American answer to the questions raised by classical liberalism. In this section I will follow Foucault’s plan and analyze neoliberal program that is identified in two main forms, with different cornerstones and historical contexts. That’s to say in the first place I will be analyzing the German neoliberalism which emerges as a response to 1929 crisis and Nazism. Later in the second part of this section I will be exploring the American form of neoliberalism defined essentially by reference to the New Deal and the criticism of Roosevelt’s economic and interventionist policies (Foucault, 2008: 78). That’s also a different form, which derives from the former [Ordoliberals], takes it a step further and gives it a more radical form.

⁶ Walter Lipmann Colloquium was an attempt to resolve the crisis of liberalism. It is held in 1938 in Paris, following the publication of Lippmann’s book which was translated into French with the title *La Cité Libre* (Kaya, 2011).

4.2 Neoliberalism[s]

4.2.1 German ordoliberalism: a state under the supervision of the market rather than a market supervised by the state

(Foucault, 2008: 116).

First of all it should be noted that Foucault's lectures at the Collège de France in 1978-1979 centred on the analysis of power with regard to liberalism. In this respect he focused essentially on German Ordoliberalism and its unique form of governmental rationality. He emphasized that German ordoliberals were indeed the *avant-garde* and they went further than other members of the neoliberal family in dressing the shortcomings of traditional liberalism. Here we should precise that they never suspect of capitalist economy in spite of the negative consequences of the Great Crash. They only see it as a warning.

4.2.1.1 General context

The world economic crisis unfolding between 1929 and 1932 marked the explicit starting point for ordoliberalism in Germany. However the essential neoliberal objection to classical liberalism is constructed around after war reconstruction and planning programs. Both entailed an interventionist policy on the allocations off resources, price stability, the level of savings, the choice of investments and a policy of full employment (Foucault, 2008: 80). This neoliberal objection is constructed essentially in 1948 around the question how it can be possible on the basis of an economic freedom which will both ensure limitation of the state and enable it to exist. In short neoliberals intend to know if it is possible that economic freedom can be the state's foundation and limitation at the same time. This question, on Foucault's account, is historically and politically first objective of neoliberalism. Also this is the question Germany of 1948 wanted to answer (Foucault, 2008: 102).

The theoretical foundations for German Post-war liberalism were drawn up by jurists and economists who in the years 1928 and 1930 had belong to the Freiburg School or had been associated with it and later published in the journal *Ordo*. The ordoliberal thinking of the Freiburg School has decisively influenced West Germany's economic

order and economic policy, especially after 1945. In the very origins of the School we find the resistance against the Third Reich.

Specific to Germany, ordoliberalism also emerged and developed essentially within Nazism. That's to say that Nazism showed that "the defects and destructive effects traditionally attributed to the market economy should instead be attributed to the state and its intrinsic defects and specific rationality." (Foucault, 2008: 116). In short it is not true that market has internal deficits; rather it is state that has to be interrogated.

The National Socialist System, on the one hand, its development, operation, and influence, and on the other hand, the open and the covert resistance against Nazi tyranny have been one of the most important fields of research for German historical and political science in the years since 1945 (Rieter & Schmolz, 1993: 88).

Under the Nazi regime it was not possible in Germany to pursue socialist or Marxist traditions of economic thinking. Liberally oriented economists, at these circumstances, were luckier; at least they could find occasion to share, discuss and exchange their ideas. In these circumstances Freiburg School sought to exploit this limited scope.

The temporal location of 1930s Freiburg provided the setting for much of the intellectual activity now associated with Ordoliberalism. Economists who inspired the programming of neoliberal politics in Germany were: Walter Eucken (1891-1950), Franz Böhm (1895-1977), Hayek, Rüstow and Müller Armack. Intellectuals of ordoliberalism passionately affirmed competitive free markets. Concentrations of power in both public and private spheres distorted, according to them, functioning exchange economies. Thus they defended the idea according to which the long term viability of free markets required a rule-bound and limited yet powerful form of government intervention (Rittershausen, 2007: 9).

A market economy and our economic program presuppose the following type of state: a state which knows exactly where to draw the line between what does and what does not concern it, which prevails in the sphere assigned to it with the whole force of its authority, but refrains from all interference outside its sphere – an energetic umpire whose task it is neither to take part in the game nor to prescribe their movements to players, who is rather, completely impartial and incorruptible and sees to it that the rules of the game and of sportsmanship are strictly enforced. That is the state without which a genuine and real market economy cannot exist (Röpke, 1950: 192).

In what follows we will be discussing ordoliberalism from a Foucauldian perspective, but before that it would be better to examine in general ordoliberalism and its leaders. Eucken, at this point, appears as one of the most important figures among ordoliberals.

4.2.1.2 Eucken's ordoliberalism

As we have mentioned above the leadership of the Freiburg School fell to Eucken who taught at Freiburg from 1927 on. Walter Eucken was a professional economist and also student of Alfred Weber. In 1930 he wrote an article against the possible application of Keynesian methods to resolve the crisis in Germany. He founded a journal called *Ordo*. In short it was Eucken who formed the school of economists called the Freiburg School or the ordoliberals.

For Eucken the key issue was whether there was a third way between central planning and *laissez faire*. He suggested that a complete reorganization of the German economy after the World War since central planning owed its existence to the rearmament effort and the need to prepare for war (Rieter & Schmolz, 1993: 88). This means that its applicability is largely linked to the conjuncture, and after the war its existence will be interrogated.

In Eucken's mind there was a system where the market was already characterized by perfect competition, the state could confine its attentions largely to drawing up legal framework conditions in order to establish necessary conditions for the realization of the perfect competition. He defends essentially the selective state intervention in the economy (Rieter & Schmolz, 1993). He suggests that there would not be monopolies or at least there should be a monopoly control mechanism in order to prevent creation of monopolies and its pervasive effects. And all these should be realized essentially after the World War II within a totally new conjuncture. In short he is for a system neither free nor planned; but a perfect amalgam of both. And from that point Eucken left off Freiburg School continued.

Ordoliberalism, in this respect, appears as a system that benefits from both freedom and planning. It creates a zone where opposition of two different systems are integrated and internalized. This double faced conception of neo liberalism will become the crucial aspect for Foucault's studies of governmentality.

4.2.1.3 Free market as organizing and regulating principle of the state

Now it is clear that in the Freiburg School's view this market economy mechanism can neither develop spontaneously nor survive unaided. The so called Freiburg Imperative therefore requires the institutionalization of constituent principles (perfect competition, primacy of price stability, open markets, private property, freedom to enter into contracts, liability, regularity and predictability of economic policy) and regulative principles (monopoly controls, social equalization, correction of external effects, correction of anomalous supply reactions), in order to establish or maintain the new, permanent economic order. (Rieter & Schmolz, 1993: 103).

Here the essential point of difference between classical liberalism and German Ordoliberalism emerges: The idea of competition not as a natural given but as *eidos* (Goldschmidt & Rauchenschwandtner, 2002: 2). In other words the German neoliberalism managed to distance itself from classical liberalism by accepting authority for shaping of the economic policy. Whereas in the 18th century the problem liberals addressed was to limit an extant state and establish economic liberty within it, in Germany, after 1945, the problem was the opposite: How to create a state that did not yet exist on the basis of a non state domain of economic liberty. (Lemke, 2002).

In other words, instead of accepting a free market defined by the state and kept as it were under state supervision – which was, in a way, the initial formula of liberalism: let us establish a space of economic freedom and let us circumscribe it by a state that will supervise it – the ordoliberals say we should completely turn the formula around and adopt the free market as organizing and regulating principle of the state, from the start of its existence up to the last form of its interventions In other words: a state under the supervision of the market rather than a market supervised by the state (Foucault, 2008: 116).

In this respect there will be a state which is limited and supervised by the market. However this does not mean for ordoliberals that there would be a weak state under the control of market. There exist a sensitive balance concerning the relationship between market and state. German ordoliberals suggest that it should be given to the visibly strong state a much more prominent role in establishing and securing capitalist market economy. By saying strong state ordoliberals figure out the characteristic of the ordoliberal state, this means that there should be a state whose duties and responsibilities must be clearly defined and circumscribed. In other words strong state of the ordoliberals is totally different from the totalitarian state. For ordoliberals the state must not be an end in itself; rather it has limited and specific instruments that led it to be the guarantor of competition (Goldschmidt &

Rauchenschwandtner, 2007: 9). Here it is clear to see that ordoliberals defend the existence of a strong state since it is incumbent on the state to set up and maintain the institutional framework of the free market. In other words the state is employed to initiate and ensure a competitive order (Vanberg, 2011). Their theory involved in the fact that the market can be constituted and kept alive only by dint of political intervention. They believe that the state and the market economy are not juxtaposed but that the one mutually presumes the existence of the other (Lemke, 2002).

4.2.1.4 Break up with classical liberalism

Ordoliberalism, as we have explained above, suggests that market can emerge as a model for a state. This means that market mechanism can and must found the state. At this point Foucault asks if market can really have the power to formulize and construct the state and also if it can organize society on the basis of free market? (Foucault, 2008: 117).

Foucault searches the answer of the question asked above by establishing the demarcation of ordoliberalism from classical liberalism. In other words by distinguishing itself from liberalism of the eighteenth century ordoliberalism tried to realize ordoliberal dream of state defined by market. For doing that ordoliberals realized many transformations and inversions in traditional liberal doctrine.

The shift from exchange to competition is one of these transformation realized within classical liberalism. Here in liberalism market is defined by exchange. In this model of exchange market state supervise the running of the market. Also state ensures that there would be respect for the freedom of those involved in exchange. Therefore there is no need for state to intervene in this process (Foucault, 2008: 118).

When we look at the meaning of market from the ordoliberal point of view we see that the situation is completely different. Ordoliberals define market as something involved in competition, rather than exchange. Here the difference becomes clear: While exchange based market establishes the equivalence of two values through the process of exchange between two partners. In its turn ordoliberalism ensures that the most important point about market is competition and from this perspective there exist no equivalence; on the contrary there exists an absolute inequality. (Foucault, 2008: 119). He concludes that only competition can ensure economic rationality.

Exchange based market within classical liberalism brings with it the principle of laissez faire which appears as the political and logical consequence of the market economy. In their turn ordoliberal challenge this idea and defend that classical liberals are in the grip of naturalism. According to ordoliberals, competition and market are not natural phenomena. Competition is an *eidōs*.

...competition will only appear and generate its effects as the essential logic of the economy when it is subject to a sequence of conditions which have to be carefully and artificially constructed. This means that competition is not an elementary given. Competition can only be the result of a long effort, and in fact, pure competition will never be attained (Foucault, 2008: 119-120).

All of these show us that ordoliberals break with the tradition of 18th and 19th century liberalism since according to them the market does refer no longer to a natural order, rather it requires very active policies in the name of the pure competition. In one sentence: Competition is created and produced. It is obvious here that ordoliberalism cannot be interpreted as the simple continuity of 18th century liberal government; rather it creates its own governmentality.

Also, ordoliberalism concludes that there exist not a strict separation between market and state. There exist not market games that must be left free totally independent from state. In short there should be a common place where state and market are interpenetrated, not juxtaposed. Government must accompany the market since the market and competition can only appear if it is produced by governmentality (Foucault, 2008: 121).

4.2.1.5 How should the state intervene ?

As we have mentioned above ordoliberalism suggests that there should be a government which is active, vigilant and intervening. Important at this point is that the nature of intervention really matters.

“...in this liberal policy there may be as many economic interventions as in a policy of planning, but their nature is different” (Foucault, 2008: 113). In this respect ordoliberals replace the conception of the economy as a domain of autonomous rules and laws by a concept of economic order as an object of social intervention and political regulation. There can be intervention; it is the nature of this intervention which really matters. According to ordoliberals there exist things that you can touch

and things that you cannot. The important and essential point lays in the fact that it matters how you touch them. It is totally about style.

Röpke and Rüstow, the other important figures of ordoliberalism, defend the idea according to which a regulatory order comprised of legal and state institutions was not sufficient to properly embed the market economy in society. They suggest that a more comprehensive complement of socio-political concepts was needed. In short the market economy requires a firm framework, which we can call an anthropological sociological frame.

They believe that the irrationalities and disfunctionalities of capitalist society could be overcome by politico-institutional inventions. There is not just one capitalism with its logic, its dead ends, and its contradictions; but an economic institutional entity which is historically open and can be changed politically. In other words state and socio cultural framework appear as the two fundamental-constitutive elements of Germany's new liberalism.

Further Foucault, in order to examine in a much more detailed way the points of difference between liberalism and ordoliberalism, concentrates on the problem of monopoly, conformable economic action and the problem of social policy (Foucault, 2008: 134).

In the first place, Foucault suggests that classical liberalism considers monopoly as a semi natural consequence of competition. In other words monopoly appears as the spontaneous result of mechanisms of competition. This situation makes it necessary that if we want to save competition from its natural effects then we must act on economic mechanisms (Foucault, 2008: 134). On the contrary ordoliberalism does not accept that the monopolistic phenomena appears as the natural and spontaneous result of competition; rather like it has been précised by Röpke monopoly is a foreign body in the economic process. This means that arriving at a monopoly position is not a phenomenon that is inherent to the market; rather it is caused by external effects. From the same perspective ordoliberals think that monopoly emerges only if public authorities are there. Foucault states, about the same subject, that if institutional framework enables competition to be effective, than the problem of monopoly will be handled.

“You can see that there is no need to intervene directly in the economic process, since the economic process, as the bearer in itself of a regulatory structure in the form of competition, will never go if it is allowed to function fully” state neoliberals (Foucault, 2008: 135). In short neoliberals never defend the direct intervention in the economic field; rather they act in order to prevent external processes from intervening and creating monopoly.

Concerning the second point of difference, Foucault points out how of liberal intervention. This modelling of intervention is called comfortable economic action which supposes that neoliberal government must intervene in two ways: regulatory and organizing actions (Foucault, 2008: 138). The most important here is that it is suggested that the intervention should not be directed through the mechanisms of the market economy; rather it should be directed through the conditions of the market.

Later Foucault tells us that this liberal form of regulation should take into account three tendencies of liberal market:

1. the tendency to the reduction of costs
2. the tendency to the reduction of the profit of the enterprise
3. the tendency to increased profit (Foucault, 2008: 138).

By these specific tendencies, ordoliberalism wants to establish price stability. Since the price stability is the most important objective the others can only be the subject of secondary importance. That’s why for example if there is unemployment government should not intervene in order to prevent this from occurring. If price stability is guaranteed than there is no need to establish policies in order to assure full employment.

On the other hand neoliberalism tries to guarantee the conditions of existence of the market. These are, according to Foucault, called organizing actions and ordoliberals bring them together more specifically under the name “framework policy.” (Foucault, 2008: 140). The framework policy includes interventions and act on non economic conditions, such as legal system, population, education, the climate etc... Here ordoliberalism acts in order to create a framework where social market economy can realize itself. That’s the point which becomes dominant in Foucault’s mind especially after 1975-76: power individual relations. Parallel with that point, ordoliberalism, according to Foucault, suggest that the conditions of the market are

organized via non economic elements such as population technology, education, legal system etc...As we have seen they do not affect market mechanisms directly. They exist in order to organize the framework in which market economy can come into play (Foucault, 2008: 141). Ordoliberalism wanted that "...individuals should not only realize their desires on the market, but also actually desire a competitive market." (Goldschmidt & Rauchenschwandtner, 2007: 23).

From this perspective in this market oriented competitive system non economic domains are regulated in such a way that social policy no longer appears as a mechanism created to correct defaults of the market; rather the social and political domains are regulated in such a way that every subject is responsible of himself. In short neoliberalism does not consider social policy as a counter weight for the effects of market economy. Rather there exist differences in the core of the market economy. These differences are a sine qua non for market economy to realize itself and at this point social policy gives up his role as a compensator.

It (social policy) cannot be an objective in a system where economic regulation, that is to say, the price mechanism, is not obtained through phenomena of equalization but through a game of differentiations which is characteristic of every mechanism of competition and which is established through fluctuations that only perform their function and only produce their regulatory effects on condition that they are left to work, and left to work through differences (Foucault, 2008, 141-143).

In short there should be inequality for regulations to take effect: there must be ones who earn much and ones who earn less. As a result a social policy with the objective of even a relative equalization can only be anti economic.

In this respect instead of socialist social policy, ordoliberals propose individual social policy. There should not be socialization, rather there should be privatization. It means that people are not provided by a social cover for risks; rather they are given a sort of economic space within which they can take on and confront risks. What we have understood from all of these is that neoliberal government neither intervenes on effects of the market nor it shows itself as a counterpoint against market. All of these conditions and regulations, in the end, construct what ordoliberals called "The Social Market Economy." This is a policy of society, by the existence of which market becomes possible.

To quote Foucault:

Basically, it (neoliberal government) has to intervene on society so that competitive mechanisms can play a regulatory role at every moment and every point in society and by intervening in this way its objective I'll become possible, that is to say, a general regulation of society by the market (Foucault, 2008: 145).

In conclusion there exists for ordoliberalism only one social policy; this is a social policy which has the only reason of existence: the economic growth. What lefts can only be the subject of individual concern. This new understanding of social policy will bring with it a new type of society called by Foucault enterprise society. The core point of this new model of society involves in the fact that enterprise society and the good society come to be seen as one and the same (Peters, 2007: 171). This new type of society will be created on the basis that the centre of gravity of governmental action will shift downwards. There will be a politics of life that will create his own subject-person, who will be the core subject of last section.

The art of government programmed by the ordoliberals around the 1930s, and which has now become the program of most governments in capitalist countries,...[It] involves obtaining a society that is not orientated towards the commodity and the uniformity of the commodity, but towards the multiplicity and differentiation of enterprises (Foucault, 2008: 148-149).

4.2.1.6 Balance between *Gesellschaftspolitik* and *Vitalpolitik*

The crucial aspect for Foucault's governmentality studies is that the social market economy was devised as an economic system combining market freedom with social equilibrium, where the government played a strong regulatory role by creating a juridical legal framework for market processes that both secured and ensured social equality (Peters, 2007: 170).

It is obvious that in Germany neoliberals are intrinsically intended to create an enterprise society. This intention brings into life *Gesellschaftspolitik* which is oriented towards the formation of a market. This means that with the policy of *Gesellschaftspolitik* neoliberals reorganize social processes in order to create from them a market mechanism. In other words *Gesellschaftspolitik* entails a market space in which competitive mechanisms can function. This policy according to Foucault has fundamental objectives which will give a new form to the society:

1. Generalizing the enterprise from within the social body
2. The individual's life must be lodged within the framework of a multiplicity of enterprises
3. The individual's life itself must make him into a sort of permanent and multiple enterprises (Foucault, 2008: 241-242).

It is obvious here that German ordoliberalism is intended to make a generalization of the enterprise form. However they also search for a counterweight to that situation. This means that there should be a balance between enterprise society shaped around the principle of competition and human life in general. This need for balance is called *Vitalpolitik*.

The return to the enterprise is therefore at once economic policy, or a policy of the economization of the entire social field, of an extension of the economy to the entire social field, but at the same time a policy which presents itself or seeks to be a kind of *Vitalpolitik* with the function of compensating for what is cold, impassive, calculating, rational, and mechanical in the strictly economic game of competition (Foucault, 2008: 242).

It is obvious that for ordoliberalism the market order is essentially an order of competition. However for them it is also an ethical order since the need for social insurance is necessary for those who are unable to earn a living. In this respect there exists a balance between what is economic and social under the system of ordoliberalism. This system of balance specific to German system is the crucial point that separates it radically from the American one. The Chicago School, which will be the subject of the next section, will alter this system of balance by creating a specific system that will evaporate all differences between the social and the economic. By doing that The Chicago School will essentially appear as a system that suggests the expansion and the domination of the economic form to apply to the totality of social sphere.

4.2.2 The Chicago School

As we have tried to define in the previous chapter Foucault devoted four of *The Birth of Biopolitics'* twelve lectures to ordoliberalism. In these lectures a different perspective and a thoroughly unfamiliar picture of neoliberalism emerges. After a detailed analyze of ordoliberalism Foucault passes to the other side of the Atlantic in order to analyze now a different type of neoliberalism: The Chicago School. The

neoliberalism we are used to is not the continental European variant, but rather what Foucault goes on to describe as Austrian inspired American Neoliberalism. In other words in the age we are living today neoliberalism is inspired essentially by this American type of neoliberalism. That's why in order to understand today's neoliberalism we should take a look at the origins of American type of neoliberalism: The Chicago School. Here as we are going to see in the next chapter we are dealing now with a different beast, an ideology not of the state administrators as in Germany and France, but of anti state opposition (Lemke, 2009).

Rather than promising to use statecraft to support the fragile market mechanism, the American neoliberals apply the market as a grid of intelligibility for all human affairs, including politics. As has been said they are market fundamentalists (Lemke, 2009).

4.2.2.1 Contextual elements and development of American Neoliberalism

In America, neoliberalism is developed essentially by the Chicago School in reaction to the too much government which, since Simons (the father of the Chicago School), was represented by the New Deal, wartime planning, and the big economic and social programs mostly supported by post-war Democratic administrations (Foucault, 2008: 323). Foucault here establishes three important figures in the American History which precede the emergence of neoliberalism in the continent. Welfare policies which are shaped by Keynesian economics and established after World War II led old liberals to rethink and reconfigure the classical liberalism. According to them, in spite of the negative results of classical liberalism, the principle of laissez faire and market economy are fundamentals of economic policy.

The real enemies of liberty in this country are the naïve advocates of managed economy or national planning... (Simons, 1948: 41).

Another major factor in the inefficient allocation of resources is to be found in government regulation and interference. (Simons, 1948: 49).

Like it has been defined by Simons neoliberalism emerges as a reaction to interventionist policies. First of all it should be considered as a response to the New Deal and Keynesian policies, as we have explained in detail above, developed by Roosevelt. Then here comes the Beveridge Plan. In 1941 the British government was searching for an answer to the question "How Britain's social structure should be rebuilt after the Second World War?" Firstly William Beveridge prepared a report on Social Insurance. According to this report people who are working actively should

pay insurance contribution on national level. Benefits taken from this contribution would be used in order to provide a minimum standard for living for all citizens. This means that disfavoured part of society such as sick, unemployed and retired people would benefit from this contribution. Following this report the Beveridge Plan is established in 1942. It appeared essentially as the blueprint for the new British welfare state. It contains specific proposals to extend and improve the then-existing social security system in England. It was based essentially on three pillars: a) family allowances b) comprehensive health care c) full employment. In short government will intervene in order to realize policies that make possible for each individual family allowances, health care and employment. All of these will necessitate, of course, a complete and active role of government in the economy. In this perspective it is possible to say that the Beveridge Plan for social security was in strict accord with Keynesian reformism (Carvalho, 2006).

And finally last contextual element is programs of Truman and Johnson on social problems such as poverty, education etc... President Truman was the next president who worked to introduce a national health insurance program. In the 1960s President Johnson introduced a legislation called The Social Security Amendments. This legislation provided social care concerning health insurance to the elder and poor part of the population. In this respect what is common for these three elements that explored by Foucault is that government took active role in the provision of social care to its population. Foucault then argues that these three elements created a target for neoliberal thinking, creating an adversary against which this new system of thinking could be constructed (Foucault, 2008).

We will take them into hand in detail later however what should be noted here is that the conditions of emergence of neoliberalism are not same but similar both in continental Europe and in America. Neoliberalism, when we simplify the situation, emerges as a challenge to all of these conditions which finish with the growth of administration.

As we have analyzed above, the Chicago School have brought a step further the theories of the German Ordoliberalism. Their most important contribution is that they redefine the social sphere as a form of the economic domain, by eliding any difference between the economy and the social. With American neoliberals

everything became economic, nothing left social. In this perspective the government, itself, becomes a kind of enterprise, and also permanent economic tribunal.

Among the figures that began to congregate at the University of Chicago were Milton Friedman, George Stigler, Gary Becker, Ronald Coase, and Friedrich von Hayek. Henry Simons and Friedrich Hayek played important parts in the construction of the Chicago School.

The Chicago School, first of all, like the German ordoliberalism, criticized the uncontrolled growth of bureaucratic apparatuses and the threat to individual rights. Simons is considered as the father of the Chicago School. The first and fundamental text of the American Neoliberalism belongs to Simon. It is an article entitled *A Positive Program for Laissez Faire*, published in 1948 (Foucault, 2008: 216). Ten years after its publication Simons continued as advocate and also organizer with his proposal to set up an “Institute of Political Economy” at the University of Chicago which would preserve and promote the traditional-liberal political philosophy of Chicago Economics. He is also the person who succeeds in attracting Hayek to this idea. He was essentially against state intervention, planning and welfare policies that become dominant after the World War II. He criticises the Beveridge Plan and the growth of administration in the country (Bowler, 1974: 82).

Everywhere one hears assertions of the failure of competitive controls, of the chaos of unplanned economy, when the chaos arises from reliance by the state upon competitive controls in a field (currency) where they cannot possibly work. Laissez faire to repeat implies a division of tasks between competitive and political controls: and failure of the system, if it has failed, is properly to be regarded as a result of failure of the state, especially with respect to money, to do its part (Simons, 1948: 55).

Of course the contextual conditions and element in the emergence of neoliberalism are similar in both American and German type. However they are distinguished in many ways. Foucault starts his analyzes from this point by establishing first of all the differences of German and American type of neoliberalism.

4.2.2.2 Differences between American and German type of neoliberalism

American neoliberalism is different from German type of neoliberalism. First, in America the demand for liberalism founds the state rather than the state limiting itself through liberalism. Secondly, neoliberalism has always been at the heart of all political debate in the country. And as a consequence of this, thirdly, neoliberalism is

supported by both right and left. Right is historically and traditionally is always hostile to anything sounding socialist, and, left to imperialist and military state. Thus, in America neoliberalism occurs as a whole way of being and thinking (Foucault, 2008: 217-218).

...many-sided, ambiguous, global claim with a foothold in both the right and the left. It is also a sort of utopian focus which is always being revived. It is also a method of thought, a grid of sociological and economic analysis (Foucault, 2008: 218).

Foucault claims further that The Chicago School extended the economic principle to the entirety of social life and in so doing produced a quite exceptional and universalist economist vision of society (Steiner, 2008). The Chicago economists aim to extend the selectionist logic of markets to every single cell of the social fabric (Madra & Adaman, 2010: 4). In other words the key element in the Chicago School's approach is their consistent expansion of the economic form to apply to the social sphere thus eliding any difference between the economic and the social (Lemke, 2001: 197). Here it is obvious that government becomes a sort of enterprise whose task it is to universalize competition and invent market shaped systems of actions for individuals groups and institutions (Burchell, 1993: 274). In summary with the Chicago School, economic domain is no more a separated domain among others; instead it covers the entirety of human action and behaviour. To quote Henri Lepage:

What we want to do is to apply to the state and to all the machinery of public economy exactly the same techniques which have been used for the past twenty-five years to take stock of all the defects and failings of the market economy (Lepage, 1978: 176).

According to Foucault the neoliberals generalize the scope of the economic in order to accomplish two things:

The generalization functions as an analytical principle in that it investigates non economic areas and forms of action in terms of economic categories. Social relations and individual behaviour are deciphered using economic criteria and within economic terms of their intelligibility.

The economic matrix is also programmatic in that it enables a critical evaluation of governmental practices by means of market concepts. It allows these practices to be assessed, to show whether they are excessive or entail abuse, and to filter them in terms of the interplay of demand and supply (Lemke, 2001: 198).

Two essential examples of the expansion of economic form to apply to social sphere can be seen in the creation of new concept called human capital and also in the domain of criminality.

4.2.2.3 Criminality and human capital

Foucault, in the sections devoted to the American Neoliberalism in his *The Birth of Biopolitics*, tries to define American Neoliberalism from a totally new perspective. For doing this Foucault develops his ideas by exploring the human capital and the subject of criminality as essential points in the construction of American neoliberalism, by which the extension of economic analysis into a previously unexplored domain and also economic interpretation of a whole domain of previously thought to be non economic are realized and most importantly internalized (Foucault, 2008: 219).

According Foucault the neoliberal construct of rationality marks a break with the *homo criminalis* of the 19th century and the neoliberals thus distance themselves from all psychological, biological or anthropological explanations of the crime. Here the criminal is just a rational economic individual who invests, expects a certain profit and risks making a loss. Thus neoliberal penal policy is action that has impact on the balance of profit and loss and seeks to apply leverage to the cost benefit ratio.

Another example of this expansion of economic form to apply social sphere can be seen in the appearance of a new since it considers production as depending on land, labour and capital. According to them classical political economy ignores, for years, the labour factor. The meaning of labour is tried to be neutralized by Ricardian analyze of labour which supposes that labour can be analyzed by hours of work and time. It is only with Adam Smith that labour starts to be interrogated.

American neoliberalism, in its turn, introduces labour into the field of economic analyzes. Theodore Schultz and Gary Becker write for developing a new understanding of labour. By introducing labour into the field of economics they start to adopt the worker's point of view into the economic process. This means that the worker is no longer the object in the economic process in which he involves; rather he becomes a subject in it. In this model workers are autonomous entrepreneurs with full responsibility for their own investment decisions. In short they become the entrepreneurs of themselves.

“What economists have not stressed is the simple truth that people invest in them and that these investments are very large” (Schultz, 1961: 2). Here the essential concept of human capital enters into the modern economic theory.

In this respect Schultz, in the 1930s, explores that the technological advances can not explain all the gains in productivity. Rather he insists that acquired ability of labour emerges as a major source of the unexplained gains in productivity.

Much of what we call consumption constitutes investment in human capital. Direct expenditures on education, health, and internal migration to take advantage of better job opportunities are clear examples. Earnings forgone by mature students attending school and by workers acquiring on-the-job training are equally clear examples. Yet, nowhere do these enter our national accounts. The use of leisure time to improve skills and knowledge is widespread and it too is unrecorded. In these and similar ways the quality of human effort can be greatly improved and its productivity enhanced. I shall contend that such investments in human capital accounts for most of the impressive rise in real earnings per worker (Schultz, 1961: 1).

Here it is obvious that the productive capacity of human beings is larger than all other forms and sources of wealth (Schultz, 1961: 2). Man, in this perspective, becomes an investor who spends time and money for his own existence.

Labourers have become capitalists not from a diffusion of the ownership of corporation stocks, as folklore would have it, but from the acquisition of knowledge and skill that have economic value (Schultz, 1961:3).

In short what is new about investment consists in the fact that human life and human development are also very important part of investment and economic growth. Schultz suggests that there exist five main categories that led human capital develops itself: First of all there exists health services and facilities that effects strength and vitality of people, secondly there is job training, thirdly education system is one of the most part of investment in human capital, later there are study programs for adults and finally migration of individuals are important since they help people to adjust to changing job opportunities (Schultz, 1961: 3).

One of the most important examples of human capital is investment of parents on their children. Parents provide education, health and various investments to their children. These expenditures are important in the emergence of child as a human capital. Expenditures on children in each family, according to Becker, are determined by the intersection of supply and demand curves. An increase in parental earnings induces greater expenditures on children (Becker & Tomes, 1986: 14).

Human capital, as we have seen above, is an important example which shows us the invasion of social field by economic one. Human life and existence, according to Schultz and Becker, have become the main subject of economic process. From this perspective it is possible to say that American neoliberalism marks the beginning of a new era, in the history of economic thought, whose effects are obvious in the world we are living today. That's why the analysis of American neoliberalism means much for us since it creates the essential symbols of today's neoliberalism.

In conclusion Foucault suggests that American neoliberalism is much more radical than German Ordoliberalism in the relationship it envisages between markets and society. As we have mentioned in the previous part the German *Vitalpolitik* was concerned with the balance between the cold mechanisms of competition and warm moral and cultural values that contributed to social cohesion. American neoliberalism, by contrast, did not seek to soften the impact of the market. What is at stake is the application of market principles to engage in a permanent criticism of political and governmental action, undertaken through entities such as the American Enterprise Institute, through which operates a sort of permanent economic tribunal confronting government...that claims to assess government action in strictly economic and market terms (Foucault, 2008: 246-247).

4.2.3 Neoliberalism: neoliberalism versus liberalism

In order to finish this section we will be following Foucault's plan in *The Birth Of Biopolitics*. In this perspective the essential differences between liberalism and neoliberalism are established by Foucault. This is important for seeing the break up between these two which represent totally different eras in the history of economic thought. It is also significantly important if we want to understand how of neoliberalism and its way of becoming an ideology.

Foucault emphasizes that both forms were conceived interventionist and critical responses to specific forms of governmentality. The former appears as a response to excessive state power of Nazi regime, and the latter to over extended New Deal welfare state. From this perspective both were linked to classical liberalism since they were forms of critical governmental reason or political rationality that theorized government as immanently self-limiting by virtue of its primary responsibility for supporting the economy (Hamann, 2009: 41).

By contrast it is important to be noted, according to Foucault, that these two models are not the same: Foucault, at this point, suggests a clear difference between European and American neoliberalism. In Europe, liberalism had emerged as a moderating principle in respect of a pre-existing *raison d'Etat*: European liberalism appears as a means of containing the state. Different from Europe in America, liberalism was the historical starting point for the formation of American independence and the construction of the state: liberalism was a form of legitimation of the state, not a device for its limitation (Foucault, 2008: 217). Moreover, from the eighteenth to the mid-twentieth century American liberalism has provided the framework for discussion of slavery, bimetallism, the relation of individual to the law, and the relation of individual states to the federal government. But from the mid-twentieth century “interventionist” policies disrupted this framework, introducing objectives that from the right appeared to be socialistic, and from the left as authoritarian and imperialist. Hence American neoliberalism represents a set of arguments of which both left and right make use. “Liberalism in America is a whole way of being and thinking” (Foucault, 2008: 218); it is a

...many-sided, ambiguous, global claim with a foothold in both the right and the left. It is also a sort of utopian focus which is always being revived. It is also a method of thought, a grid of sociological and economic analysis (Foucault, 2008: 219).

On the other hand Foucault suggests that when we talk about neoliberalism whether German or any other kind, we have three main points giving us the answer to the question what neoliberalism is:

- The first is that from the economic point of view neoliberalism is no more than the reactivation of old, second-hand economic theories.
- The second is that from the sociological point of view it is just a way of establishing strictly market relations in society.
- And finally, the third response is that from a political point of view neoliberalism is no more than a cover for a generalized administrative intervention by the state which is all the more profound for being insidious and hidden beneath the appearances of a neoliberalism (Foucault, 2008: 129-130).

However, according to Foucault, these three points are not sufficient to identify what neoliberalism is. He wants to go a step further and to discover how far the formal principles of a market economy can index a general art of government (Bidet, 2006).

In short neoliberalism appears as a new art of government. But in which ways it is separated from liberalism?

The fundamental difference between liberalism and neoliberalism can be summarized as follows: Naturalness of market rationalities in liberalism is replaced by role of the state in creating the condition for market activities in neoliberalism (Binkley, 2009). In other words while classical liberalism viewed the agencies and initiatives constitutive of market conduct as generic to social life; itself; from the standpoint of neoliberalism such dispositions had to be actively fostered through state intervention. For doing that neoliberal state should be capable of creating the voluntaristic, entrepreneurial and self responsible dispositions upon which market forms depend. Here the market occurs as an objective to be realized rather an act of nature (Bidet, 2006).

In this respect in all the texts of the neoliberals we find the theme that government is active, vigilante, and intervening in a liberal regime. Here state becomes the master and the responsible of the economic activity (Foucault, 2008: 133). State acts, if it is necessary, in order to guarantee the survival of market economy.

In consequence Foucault, during his analyzes concerning the transition from liberalism to neoliberalism in 20th century, bring together theorists of the German Ordoliberalism and The Chicago School in order to analyze the origins of neoliberal thought. It is sure that there are differences between two approaches; however what is crucial here is that both are for the survival of the market economy accompanied by an enterprise society.

4.2.4 Neoliberal governmentality

What is then this ever so fragile moment from which we cannot detach our identity and which will carry this [identity] along with it (Foucault, 2002: 443).

When Foucault tries to make a genealogical study of liberalism, he first of all, focuses essentially on the transformation from liberalism to neoliberalism. When trying to put differences between classical liberalism and neoliberalism he essentially explores the elements that create neoliberalism as a new rationality of government. In

this respect it would be useful to examine the other elements of the neo-liberal regulation of society according to the model of the market which Foucault foregrounds, particularly, competition, enterprise society and *homo oeconomicus*.

4.2.4.1 Homo oeconomicus

Governing people is not a way to force people to do what governor wants, it is always a versatile equilibrium, with complementarity and conflicts between techniques which assure coercion and processes through which the self is constructed and or modified by himself (Foucault, 1993: 203-204).

After we have focused on the fundamentals of neoliberal governmentality, now we should bring our analysis a step further in order to examine it from a different perspective. Indeed, it should be noted that examination of neoliberalism entails a re-examination of the fundamental problematic of governmentality, the intersection of power, concepts, modes of existence and subjectivity (Read, 2009: 26).

“Neoliberalism was one of the most successful attempts to reshape individuals in human history” (Miller, 2010: 26).

On Foucault’s account neoliberalism is not just an economic doctrine that can be explained by the retreat of state from economic activities. For him neoliberalism means much more than this. Neoliberalism governs populations through market imperatives in order to create from them liberal actors via biopolitics. In this respect Foucault defines governmentality as the conduct of conduct, as the shaping of the way people live their lives in quotidian detail (Protevi, 2009: 4). In other words he considers government as a form of activity that aims to shape, guide or affect the conduct of individuals.

Everyday experiences reflect a neoliberal ethos operative within almost every aspect of our individual and social lives with consequences that are dire for many and dangerous for most if not all of us (Hamann, 2009: 38).

From this perspective like it has been well defined, through Foucauldian analysis, by Madra and Adaman neoliberalism should be understood in a more detailed and different perspective than its usual definition as ideology in the pursuit of defending the market against the state. Neoliberalism is much more than this:

First of all neoliberalism is not generated from the state, or from a dominant class, but from the quotidian experience of buying and selling commodities from the market, which is then extended across other social spaces, the marketplace of ideas to

become an image of society (Read, 2009: 26). Moreover neoliberalism refers not only to the political realm; to an ideal of the state; but to the entirety of human existence. It is not just a manner of governing states or economies; it is also a manner of governing the individual.

As we have examined in detail above, neoliberalism is different from liberalism since the former does not accept that the market or economic competition is a natural reality with its self evident and intrinsic laws; rather neoliberalism defends that its values and principles should be instituted. This situation brings us to the conclusion that homo oeconomicus is never a natural being with predictable forms of conduct and ways of behaving; but is instead a form of subjectivity that must be brought into being and maintained through social mechanisms of subjectification. In other words homo oeconomicus must be produced via different ways of knowledge and relations of power in order to encourage individual practices of subjectification (Hamann, 2009:42).

The central aim of neoliberal governmentality is the strategic creation of social conditions that encourage and necessitate the production of neoliberal subject (Hamann, 2009: 37). via different ways of subjectivity. In its turn, subjectivity, according to Foucault, is the mode in which power operates in governmentality; the conducting of the conduct of our lives is done by inducing us to subjectify ourselves in various ways, as sexual objects, or indeed as self entrepreneurs.

Neoliberalism is not simply an ideology in the pejorative sense of the term, or a belief that one could elect to have or not have, but is itself produced by strategies, tactics and policies that create subjects of interest, locked in competition (Read, 2009: 30).

Indeed a new type of individual, constant part of neoliberal governmentality, appears as a historical specific form of subjectivity.

For Foucault we have to take seriously the manner in which the fundamental understanding of individuals as governed by interest and competition is not just an ideology that can be refused and debunked, but is an intimate part of how our lives and subjectivity are structured (Read, 2009: 34-35).

In other words neoliberalism represents a form of governing the social through economic incentives. And the instrument of this form of governing involves in the creation of a new form of subject: homo oeconomicus (Madra & Adaman, 2010: 13) homo oeconomicus the neoliberal subject, is an individual shaped under the conditions created by a specific form of governmentality defined as “the conduct of conduct” in order to create and reshape subjectivities within a system defined by the word “interest”.

4.2.4.2 Neoliberal governmentality – from the subject of right to the subject of neoliberal State

Foucault touches on the theme of homo oeconomicus since it has permeated economic thought from the 18th century liberalism so on (Foucault, 2008: 291) and it represents a political challenge to the traditional, juridical conception of the sovereign.

Let's say that in the classical conception of the sovereign in the Middle Ages, and still in the seventeenth century, there was something above the sovereign which was impenetrable, and this was God's intentions. A sovereign could be absolute and marked out as God's representative on Earth, but designs of Providence still eluded him and encompassed him in their destiny. Now beneath the sovereign, there is something which equally eludes him, and this is not the design of Providence or God's law but the labyrinths and complexities of the economic field (Foucault, 2008: 292).

By using the word homo oeconomicus Foucault essentially points the importance of the new understanding of human nature and social existence in the formation of neoliberal ideology. According to Foucault's analysis, the subject of the neoliberal state is not the citizen-subject of (social) rights, but rather the economic subject as represented in the figure of *homo oeconomicus*, a rational opportunistic individual. This new type of subject is motivated not by rights and laws; but interest, investment and competition.

In fact, the sovereign is not in the same position vis à vis homo oeconomicus as he is vis à vis the subject of right. The subject of right may well, at least in some conceptions and analyses appear as that which limits the exercise of sovereign power. But homo oeconomicus is not satisfied with limiting the sovereign's power; to a certain extent, he strips the sovereign of power. Its power removed in the name of a right that the sovereign must not touch? No, that's not what's involved. Homo oeconomicus strips the sovereign of power inasmuch as he reveals an essential, fundamental, and major incapacity of the sovereign, that's to say, ability to master totality of the economic field. The sovereign cannot fail to be blind vis à vis the economic domain or field as a whole (Foucault, 2008: 292).

Foucault's conception of homo oeconomicus is constantly refers to Gary Becker. The new 'economic man' called homo oeconomicus, is the individual who, in Gary Becker's view, 'accepts reality' by modulating his conduct so that it is 'sensitive to modifications in the variables of the environment and which responds to this in a non-random way', that is, according to calculations of an economic kind (Becker & Tomes, 1986).

Foucault's conclusions from Becker's and other neo-liberal universalization of liberal capitalist market rationality is that behavioural techniques can be devised, using the psychological sciences, to observe, analyse and control individual responses to changes in the environment. Thus, "*homo oeconomicus* appears as 'someone manageable, someone who responds systematically to systematic modifications artificially introduced into the environment. *Homo oeconomicus* is someone who is eminently governable" (Foucault, 2008: 270-271).

Further Foucault emphasizes that the concept of homo oeconomicus appears as the intersection point between classical liberalism and neoliberalism. What the two forms of liberalism the classical and neo share, is according to Foucault is a general idea of homo oeconomicus. That's the way in which they place a particular anthropology of man as an economic subject at the basis of politics. What is different is the emphasis from anthropology of exchange to one of competition. In other words while liberal government realizes itself with the management of people via homo oeconomicus as natural exchanger in natural markets; neoliberal government manages people qua homo oeconomicus as self entrepreneur in artificial competitive markets. This shift from exchange to competition has important results concerning the origin of the homo oeconomicus. In short, whereas homo oeconomicus of the classical liberalism appears as the subject of exchange; homo oeconomicus of neoliberalism emerges as the subject of competition.

The man of consumption is not one of the terms of exchange. The man of consumption, in so far as he consumes, is a producer. What does he produce? Well quite simply he produces his own satisfaction. And we should think of consumption as an enterprise activity by which the individual, precisely on the basis of the capital he has at his disposal, will produce something that will be his own satisfaction (Foucault, 2008: 226).

Here we are faced with a subjectivity totally involved in economic process. As we have seen above on the one hand neoliberalism creates homo oeconomicus in order

to adopt subjectivity to market based principles. At this point we should return back to the notion of human capital and imposition of labour into the economic field. Since worker is a homo oeconomicus, and also he is both a consumer and producer his source of investment, in other words his “capital” becomes really important concerning the analysis of homo oeconomicus.

In a parallel way, neoliberalism necessitates a massive expansion of the field and scope of economics to become a whole way of life via its new type of subjectivity. The domains which are called extra-economic are rendered economic and are started to be determined by the only criteria of economic efficiency (Lemke, 2001).

According to Foucault this expansion of economics is realized by two conditions: redefinition of labour and redefinition of economics.

4.2.4.3 Neoliberal governmentality – redefinition of economics and labour

Foucault argues that the redefinition of the term labour plays an important role in the establishment of the new neoliberal governmentality and also in the reorganization of homo oeconomicus. For Foucault exactly by the relation between labour and time introduced by Smith’s system but particularly as it was present in Ricardo’s theory classical economics constantly neutralized the notion of labour. The labour is defined by classical economics in a way independently from worker himself. Keynes also did not introduce a theory of labour much more elaborated than that of Ricardo. For Keynes labour was also only one more factor of production; which is passive in the sense that it only found its activity relation to a certain amount of investment. Consequently there is a neutralization of the nature itself of labour, to the advantage of this single quantitative variable of hours of work and time, and basically classical economics never got out of this Ricardian reduction of the problem of labour to the simple analysis of the quantitative variable of time.

This change in definition of labour is realized only with the neoliberals, among whom Foucault mentions Becker and Schultz, they provided a critique of the classical economics, which promoted an essential change in the notion of labour. Labour is investigated in its essence, its origins and existence. Neoliberals try to introduce labour into the field of economic analysis.

For neoliberals the reason why economists see labour in such an abstract way it is because classical economists only ever envisaged the object of economics as processes of capital, of investment, of the machine, of the product, and so on. That's why neoliberals return to a definition of the object of economics which was put forward around 1930 by Lionel Robbins. According to Robbins: "Economics is the science of human behaviour as a relationship between ends and scarce means which have mutually exclusive uses" (Robbins, 1945: 16).

Like Foucault put it this definition does not identify its task as the analysis of a relational mechanism between things or processes, like capital, investment, and production; instead it adopts the task of analyzing a form of human behaviour and the interest rationality of this human behaviour. Thus economics is not the analyses of processes; it is the analyses of an activity.

Here bringing labour into the field of economic analysis appears as the fundamental issue. It is necessary in this way to adopt the point of view of the worker and, for the first time ensure that the worker is not present in the economic field as an object – object of supply and demand in the form of labour power- but as an active economic subject.

For doing that Becker and Schultz ask the essential question to redefine labour: Why do people work? The answer is to gain a wage. Income in this point is defined as the product or return on a capital. Thus if we accept that wage is an income then the wage is therefore the income of capital. And the capital of which the wage is income is the set of all those physical and psychological factors which make someone able to earn this or that wage, so that, seen from the side of the worker, labour is not a commodity reduced by abstraction to labour power and the time which it is used. From the worker's point of view labour comprises a capital, is ability, a skill; as they say it is a machine. The worker's skill really is a machine, but a machine which cannot be separated from the worker. Therefore the worker himself appears as a sort of enterprise for himself. It can be argued that the labour of the worker can be thought of not as something to be externalised and rendered into surplus value, but rather as a capital constituted by the skill of the worker and therefore capable of producing an income stream. The worker's skill is a machine for the production of income, and not something sold from time to time in return for a wage. This

machine has a lifespan with an income that first rises, then falls as the machine ages (Tribe, 2009: 14).

By establishment of the new definition of labour neoliberalism scrambles and exchanges the terms of opposition between worker and capitalist. Labour is no longer limited to the specific sites of the factory or workplace, but is any activity that works towards desired ends. In other words the intersection of labour and human capital appears as key concept in neoliberalism. From this intersection the discourse of economy becomes an entire way of life, a common sense in which every action can be charted according to a simple calculus of maximum output for minimum expenditure; it can be seen as an investment. This situation of one within the other, concerning labour and capital, is defined also by Etienne Balibar: “The capitalist is defined as worker, as an entrepreneur; the worker as bearer of a capacity, of a human capital” (Balibar, 1994: 53).

Thus neoliberalism represents a complete change in the conception of homo oeconomicus. This return of homo oeconomicus by redefinition of labour is followed by appearance of human capital. Neoliberalism, in this respect, encourages individuals to give their lives a specific entrepreneurial form. The wage becomes a capital that we will call human capital inasmuch as the ability machine of which it is the income cannot be separated from the human individual who is its bearer. To quote Schultz:

The distinctive mark of Human Capital is that it is part of man. It is human because it is embodied in man and capital because it is a source of future satisfactions, or of future earnings, or of both (Schultz, 1971).

Human capital is composed of innate elements and acquired elements. Concerning innate elements there are those we can call hereditary, and others which are just innate: differences which are, of course self evident for anyone with the vaguest acquaintance with biology (Foucault, 2008: 227). Concerning acquired elements we can give example of the simple times parents spend with their children or of educational investments (Foucault, 2008: 229). Or migration is also appears as an investment and the migrant is an investor. Because migration has a cost (individual will not be earning while he is moving, psychological cost.). This cost has a function which is to obtain an improvement of status and so on. This makes migration an investment.

For neoliberals human capital is important in many ways. To understand, for example, the Japanese and Western development after 1930s cannot be explained on the basis of the variables of classical analysis. (Land, capital and labour understood as time of labour) but on the basis concerning the composition of the human capital. In the same way failure of Third World economies is explained by the insufficient investment in human capital.

Thus, homo oeconomicus and human capital demonstrate that neoliberalism is not just a manner of governing states or economies but is intimately tied to the government of the individual, to a particular manner of living. Neoliberalism is totally interested in investments that have made at the level of man himself.

5. CONCLUSION

In this thesis I have attempted to present Foucauldian analysis of the history of the art of government by focusing essentially on liberal and neoliberal transformations. In this perspective Michel Foucault proposes us a totally different reading of history by taking as his main target the genealogy of governmentality. His *Security Territory Population* and *The Birth of Biopolitics* discuss, by means of genealogical method, history of governmental rationality. Here the concept of government is deployed, by Michel Foucault, as a guideline for his analysis within a period determined by two break ups in the history of liberalism. In order to do that he takes as his central concern liberal rupture realized in the middle of the eighteenth century and neoliberal turn established in the twentieth century.

In fact what Foucault wants is to study both genealogy of state and genealogy of subject. Here the intersection point between them involves in the concept of genealogy of governmentality. This means that Foucault concentrates on the close and crucial link between forms of power and processes of subjectification. The concept of governmentality, in Foucault's political philosophy, is important since it is not possible to study the technologies of power without an analysis of the political rationality underpinning them. What Foucault wants with these lectures is simply to analyze technologies of power, power relationships and subjectification within the genealogical history of governmentality.

In short, during his lectures, Foucault makes a genealogy of liberalism. In his 1978 lectures, published under the title *Security Territory Population*, he traces the genealogy of governmentality from Classical Greek through to the reason of state and liberalism. The 1979 lectures, in their turn, focus on the study of liberal and neoliberal forms of governmentality. During his 1979 lectures, Foucault leaps to the twentieth century. Foucault insists on the specificity of neoliberalism which is not simply a return of the nineteenth century *laissez faire*. He suggests that neo-liberalism is not Adam Smith; neo-liberalism is not market society. In other words counter to the dominant perspective of neo-liberalism as an economic doctrine it should be understood as a malleable technology of governing, designed and

employed to include particular types of individuals and populations while excluding others.

The neo-liberal forms of government feature not only direct intervention by means of empowered and specialized state apparatuses, but also characteristically develop indirect techniques for leading and controlling individuals without at the same time being responsible for them (Lemke, 2002: 60).

According to Foucault the core aspect of neoliberalism is linked to the problem of the relationship between political power and the principles of a market economy. In other words it is the interplay of market economy and arts of governing. That's why he does not consider neoliberalism as a set of fully developed theories but as a characteristic way of problematising social reality.

In other words, the real theoretical strength of the concept of governmentality consists of the fact that it construes neo-liberalism not just as ideological rhetoric or as a political-economic reality, but above all as a political project that endeavours to create a social reality that it suggests already exists (Lemke, 2002: 61).

In short Foucault suggests us a radical analysis of neoliberalism which distinguishes itself from any of the very important accounts. From what Foucault suggests we understand that he distinguishes his position from three approaches to neo-liberalism, namely, the economic point of view that it is 'no more than the reactivation of old, second-hand economic theories', the sociological point of view that 'it is just a way of establishing strictly market relations in society, and the political point of view which claims neo-liberalism to be no more than a cover for a generalized administrative intervention by the state.

Now it is possible to say that Michel Foucault, with his lectures of 1979, described and analyzed the intellectual origins of neoliberalism. It seems very interesting that he had already completed his last lecture at Collège de France and he had also declared neoliberalism as the predominant governmental mode when Margaret Thatcher became Prime Minister of Great Britain on May 1979. The end of his lectures was followed by acquirement of power by neoliberals. Ronald Reagan was elected President of the United States in 1980 and he curbs the power of the labour, deregulate industry, agriculture and resource extraction. He, later, liberate the powers of finance both internally and on the world stage (Harvey, 2005:1). Since then neoliberalism became a whole way of life and it is now everywhere. Thus, after

analyzing Michel Foucault's thoughts over history of governmentality now it is time to look upon the placement of neoliberalism after 1980s on world scale.

Neoliberalism presupposes that the well being of individuals can be assured by liberating individual entrepreneurial freedoms and skills. In this respect it is, generally, shaped essentially around the figure of the market and private interest. It emerges as a utopia of a pure and perfect market (Bourdieu, 1998). However it is obvious that it is much more than this: Neoliberalism represents fundamentally a new social order in which the power and income of the upper fractions of ruling classes was re-established in the wake of a setback.

Neoliberalism, at this point, refers to the reorganization and the new rules of functioning of capitalism. What are these new rules?

- A new discipline of labour and management to the benefit of lenders and shareholders
- The diminished intervention of the state concerning development and welfare
- The dramatic growth of financial institutions
- The implementation of new relationships between the financial and non financial sectors to the benefit of the former
- A new legal stand in favour of mergers and acquisitions
- The strengthening of central banks and the targeting of their activity toward price stability
- The new determination to drain the resources of the periphery toward the centre

It is obvious that we are living, today, in the age of neoliberalism. And as we have examined above it represents a wide range of social political and economic phenomena, and in this way it influences lives of each individual in the whole world. In short another new type of capitalism – neoliberalism- is rewriting the world history from its own perspective.

The most important point involves the fact that neoliberal economism increasingly start to dominate the public domain, a discourse of markets and liberty whose lack of intellectual credibility was no obstacle to its propagation and execution.

It (neoliberalism) is so strong and so hard to combat only because it has on its side all of the forces of a world of relations of forces, a world that it contributes to making what it is (Bourdieu, 1998).

The neoliberal programme draws its social power from the political and economic power of those whose interests it expresses: stockholders, financial operators, industrialists, conservative or social-democratic politicians who have been converted to the reassuring layoffs of *laissez-faire*, high-level financial officials eager to impose policies advocating their own extinction because, unlike the managers of firms, they run no risk of having eventually to pay the consequences (Ibid.)

One of the most important thinkers of neoliberalism, Harvey, in his book called *A Brief History of Neoliberalism*, states that

Neoliberalism has, in short, become hegemonic as a mode of discourse. It has pervasive effects on ways of thought to the point where it has become incorporated into the common sense way many of us, interpret, live in and to understand the world (Harvey, 2005: 3)

This means that advocates of neoliberalism occupy strategic positions on global scale: International institutions such as WTO, IMF, the World Bank have become central institutions that expand neoliberal policies all around the world without exception. Moreover individual freedom is declared as the central value of civilization.

In conclusion the final stage of Foucault's history of art of government, neoliberalism continues to dominate world history. Its techniques of government and its modes of subjectification create new areas of domination which will provide it a total acceptance on world scale. That's the point which makes neoliberalism so strong to combat. "That said, this theory that is described and dehistoricised at its roots has, today more than ever, the means of making itself true and empirically verifiable" (Bourdieu, 1998).

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CURRICULUM VITAE

Candidate's full name: Ayfer GENÇ

Place and date of birth: Edirne, 10.11.1984

Permanent Address: 19 Mayıs Mah. No:5/13 Kadıköy/İstanbul

Universities and

Colleges attended: Galatasaray University, 2008