Lecture 1: 10 January 1979

I) Aim of lectures: continue retracing history of art of governmentality
   A) Object: "government's 'consciousness' of itself"
      1) How government practice was conceptualized
      2) Object, rules and objectives of "domain of practice of government"
      3) "Study of rationalization of government practice in exercise of political sovereignty"
   B) Method: (nominalist) eschewing of universals; focus on concrete practices
      1) Not "historicism," which assumes universals which change in history
      2) But assumption that universals do not exist and thus tracing of concrete practices "apparently organized around something that is supposed to be" X (e.g., "madness")

II) Recap of last year's lectures
   A) Raison d'Etat defined state as autonomous reality
      1) Mundane (i.e., not concerned w/ afterlife salvation)
      2) Existing in plurality of other states (no horizon of integration in restored Empire)
   B) Means of governing (all aiming at European equilibrium)
      1) Mercantilism
      2) Police
      3) Permanent army and diplomacy
   C) Against reified "state phobia": it's not a "cold monster," but a "correlate of a way of governing"
   D) Important factors in raison d'Etat for what comes after (= "liberalism")
      1) Limitations:
         a) Foreign policy aiming at equilibrium means states must limit their external objectives
         b) Internal policy on the other hand is "unlimited" (all the better to compete w/ other states)
      2) Internal self-limitation or at least opposition now comes in form of law
         a) Medieval royal power grows not just by military, but also by judicial institutions
         b) In era of raison d'Etat
            i) Law is now "extrinsic" to raison d'Etat
            ii) Jurists argue that sovereign may not contravene
               (a) Basic laws of the realm
               (b) Natural law
               (c) Social contract

III) Forecast of this year's lectures: liberalism as "internal regulation of governmental rationality"
   A) Five internal limitations producing "critical governmental reason" (Kantian echo)
      1) De facto limitation: government ignoring its self-limits is not illegitimate, but inadequate
      2) General limitation
      3) Internal to state, so that this limitation is itself the means to realizing objective of government
      4) Non-juridical
         a) Does not create zone of freedom w/in men as subjects (i.e., "rights")
b) But limits what government does: what it should and shouldn’t do
5) Transactional: government is no longer imposed, but "transacted"
B) Political economy is "intellectual instrument" that permits liberalism as government self-limiting
1) Ambiguity of term
   a) Analysis of production and circulation of wealth (i.e., the "politics" of economy)
   b) Reflection on powers in a society (i.e., the "economy" of politics)
2) Key points in considering political economy
   a) Formed from within raison d’Etat (as opposed to "extrinsic" judicial thought)
   b) Physiocrats (first form of political economy) concluded a despotic state was needed
   c) Reflects on governmental practice in terms of effects, not origins (question of legitimacy)
   d) Discovers "natural" / intelligible mechanisms, not natural rights
   e) Utility (success or failure) is now only criterion of governmental action
      i) This means governments can be mistaken / ignorant (rather than wicked)
      ii) Thus the questions of limitation and of truth are introduced
         (a) This is not Prince’s wisdom (based on "equitable equilibrium")
         (b) But maximum / minimum: govt never knows too well how to govern just enough
C) A new regime of truth is established
1) No longer a question of exercise of sovereign rights
2) But political economy enables a judgment of government action in terms of truth (did this action act on a false understanding of intelligible economic mechanisms?)
3) Thus reconfiguring of self-questioning of government
   a) Medieval: conformity to moral / natural / divine law?
   b) Absolutism: conformity to raison d'Etat so that state is strongest?
   c) Liberalism: conformity to maxi min posed by nature of economic reality?
4) Analyzing relation of practices and regime of truth is same as for F’s previous work
   a) How does a "conjunction" of practices and regime of truth make what "does not exist" (madness, etc.) "become something" even as that "something" "continues not to exist"?
   b) Thus he’s not after exposing past "errors" or "illusions"
   c) But he’s after a dispositif of knowledge-power which
      i) Effectively marks out in reality that which does not exist
      ii) And legitimately submits it to division between true and false
5) So here he is after the "birth of dissymmetrical polarity of politics and the economy"
   a) This happens between Walpole’s prudent wisdom of prince ("let sleeping dogs lie")
   b) And the "laissez-nous faire" that is the principle of liberalism

IV) Conclusion: relation of biopower / population / liberalism
A) Can only understand biopower in terms of liberalism's treatment of the population
B) But in treating liberalism we treat our "immediate and concrete reality"

Lecture 2: 17 January 1979

I) Liberalism as regime of truth / market as site of veridiction
A) Liberalism and raison d'Etat
   1) Liberalism does not overcome raison d'Etat, but is "intensification / internal refinement" of it
   2) "Frugal" government is the question of liberalism
B) Liberalism as regime of truth: connecting raison d'Etat w/ political economy
   1) Market as site of justice for Middle Ages
      a) Regulated
      b) Sale price seen as a just price
      c) Site of distributive justice
d) Ensuring absence of fraud / protection of buyer
2) The liberal market is now a site of truth, of "veridiction"
   a) Natural / spontaneous mechanisms
   b) Prices are now "natural" / good / normal / "true" (fluctuates around value of product)
   c) The natural price is now a criterion for judging correctness of government action
C) Methodological remark: Foucault's complex historiography
   1) F is non-idealist (market doesn't become site of veridiction bcs of theoretical impact of
economic science)
   2) But he also eschews search for single cause; there is instead a complex relation among
      a) Monetary situation
      b) Economic and demographic growth
      c) Intensification of agricultural production
      d) New methods of reflection on economic practice
      e) Theorization of economic problems
   3) IOW, establishing intelligibility of historical change = "simply showing it was possible"
      a) Not that it was "necessary"
      b) Nor that is was "one possibility in a determinate field of possibilities"
         i) [JP: I don't know what to make of this given the Deleuze / Bergson critique]
D) Examples of other investigations into intersection of jurisdiction and veridiction
   1) Psychiatry as truth regime connected to juridical institutions of confinement
   2) Human sciences as truth regime connected to juridical institutions of penal practice
   3) Sexuality at intersection of "jurisdiction of sexual relations" and "veridiction of desire"
E) So what F is after is "history of truth" as a "genealogy of regimes of veridiction"
   1) Object = history of "set of rules enabling one to establish which statements in a given
discourse can be described as true or false" [cf. OT and AK]
   2) Not to be confused with critique of excesses of European rationality
      a) From Romanticism to Frankfurt School it's been the same
      b) F is not after denunciation
         i) Of the oppression of reason (bcs. madness is also oppressive)
         ii) Of the presumption of power in affirmation of truth (lies and error abuse power too)
      c) But after "conditions" and "effects" of veridiction: what are conditions of "discourse"
   3) The "political significance" of this genealogy is not
      a) Denunciation of errors of the past
      b) But establishing how what we now know to be error was considered to be true
II) Liberalism and law as limiting power of public authorities
A) Police state
   1) Unlimited government: police state = government merged with administration
   2) Extrinsic legal limits focused on sovereign rights
B) Liberal / "frugal" government
   1) Internal / self-limitation
   2) Political economy and public law as limiting government in name of truth of market
      a) Two means of approaching this question
         i) Axiomatic / juridico-deductive / revolutionary approach: Rousseau
            a) Natural rights
            b) Those rights one agrees to cede
            c) Deduction of bounds of government competence w/in framework of sovereignty
         ii) Radical / utilitarian approach
            a) Starting not from question of legitimacy, but from governmental practice itself
            b) Find the limits of acceptable government action in terms of utility
      b) Two conceptions of the law
         i) Revolutionary / axiomatic approach: law as expression of a will
ii) Radical / utilitarian approach: law as effect of a transaction

c) Two conceptions of freedom
  i) Juridical: freedom as possession to be divided into ceded and kept portions
  ii) Independence: freedom not as exercise of a basic right, but independence from govt.

C) Methodological remark: need for "strategic" / "non-dialectical" logic to connect two approaches
  1) Dialectical logic "puts to work contradictory terms w/in the homogeneous"
  2) Strategic logic "establish possible connections btw disparate terms" "remain heterogeneous"

D) We see heterogeneous connections, but dominance of utility as principle of govt self-limitation
  1) With the market we see exchange and value
  2) And we have utility as criterion for judging govt action

E) Interest is now the general term linking these two
  1) Not interest of the state as in raison d'Etat (sovereign hold on land / things)
  2) But plural interests: "complex interplay btw individual and collective interests"
     a) Example in penal system shift
        i) From sovereign punishment as physical torture
        ii) To "thin phenomenal theme of interests" as only thing govt has a hold on
            (a) Here the questions are ones of utility / interest
            (b) So govt no longer exercised on subjects, but on interests
  3) "What is utility value of govt … where exchange determines true value of things?"

Lecture 3: 24 January 2009

I) Europe and the international space in liberalism
  A) Raison d'Etat aimed to maintain European equilibrium
     1) Internally, no limits to police state, but externally there had to be limits to maintain balance
     2) Zero sum game implied with mercantilism (monetarism / finite gold supply)
  B) Liberalism shows dual profit and mutual enrichment, hence no zero-sum game
     1) Hence we have a "Europe of collective enrichment" / unlimited economic progress
     2) But this requires "permanent and continuous inputs" from "extended market"
        a) Translated term "globalization" = French mondialisation
        b) Avoiding intra-European conflict by expanding outward
     c) F distinguishes this from both colonization and 19th C imperialism
     3) Rather we have "a new type of global calculation in European governmental practice"
     4) Examples of this new calculation of a globally active Europe of commerce
        a) Maritime law
        b) Projects for international peace (e.g., Kant and "Perpetual Peace")
  C) Now the appearance of this new calculation does not mean other rationalities disappear
     1) There's always going to be overlap of forms of rationality
     2) For example, let's analyze the Congress of Vienna
        a) Napoleon's imperial idea had three objectives
           i) Empire will internally guarantee freedom (is less interventionist than absolutism)
           ii) Empire will give a "European form" to "unlimited revolutionary project"
           iii) Empire will reconstitute the Carolingian / Holy Roman Empire
        b) Austrians want to reconstitute old-fashioned European equilibrium of police states
        c) English want equilibrium on basis of being economic mediator btw Europe / rest of world

II) Fundamental features of liberalism:
  A) Recap of the three features:
     1) Market veridiction
     2) Limitation by calculating government utility
3) Europe as unlimited economic development in a world market

B) Why call this "liberalism"? Isn't that too restrictive term?
1) There is a governmental naturalism in physiocratic doctrine, but this entailed despotism, even if that despotism was limited by the clear "evidence" based knowledge of economic practice
2) There is a concern with freedom at heart of new govt reason, but this is not quantitative
   a) Factually: how can you compare the quantity of freedom?
      i) Absolutist administration / police state
     ii) Liberal conducting of conduct in every detail of daily life
   b) Methodologically: (F's nominalism here once again)
      i) Freedom is not a universal that is particularized in space and time (and can vary)
      ii) Freedom is the "actual relation btw governors and governed"
         (a) Measure of "too little" existing freedom
         (b) Comes from the demand for "even more" freedom

III) What does F mean by "freedom" in liberal government?
A) General relation of freedom and liberal government: "productive / destructive"
   1) It is a "consumer" / "producer" / "manager" of freedom (of market, property rights, etc.)
   2) "Manager of the conditions in which one can be free"
   3) Liberalism = a "productive / destructive relation" with freedom
      a) Free trade / protectionism
     b) Create buyers for internal market to work (resist impoverishment of workers)
     c) Anti-monopoly interventions
     d) Free labor market / reserve army of unemployed

B) Principle of calculation for cost of manufacturing freedom = "security"
   1) Weighing relation of individual and collective interests
   2) Security / freedom as ensuring the "least exposure to danger"
      a) Motto of liberalism = "live dangerously" ("political culture of danger")
         i) Savings banks (elicit fear of danger of old-age impoverishment)
      ii) Detective fiction / faits divers (elicit fear of danger of crime)
      iii) Campaigns against disease
      iv) Attention to sexuality and "degenerescence"
   b) Extension of disciplines as counterweights to freedom
      i) Panopticon starts as regional mechanism
      ii) But ends as "very formula of liberal government"
   c) Mechanisms that introduce additional freedom through additional control / intervention
      i) Control is no longer just counterweight to freedom but its mainspring
         (a) Produces freedom to work / consume
         (b) At cost of economic interventions (seen as "road to serfdom")
   3) Liberal "crises of governmmtalitity" = concern w/ economic cost of exercise of freedom
      a) "Liberogenic" compensatory mechanisms = producing / threatening freedom
      b) Present (1979) crisis of liberalism traces itself to
         i) Keynesian interventions / New Deal social programs deployed to prevent loss of freedom through fascism / communism
         ii) But such "big government" also destroys freedom, say the liberals!
      c) These crises of liberalism are related to but not identical to crises of capitalism
Lecture 4: 31 January 1979

I) Introduction
   A) Contemporary state phobia
      1) Many sources: Soviet Union / Nazi Germany / even Beveridge Plan
      2) Sign of contemporary crisis of governmentality
   B) Doing w/o a theory of the state
      1) F does not ignore the "statification" of governmental practices
      2) But he does refrain from starting with analyzing nature / function / essence of state and then trying to deduce current practices of state governmentality from that essence
         a) History is not a deductive science
         b) State does not have an essence
            i) It is not a universal, nor is it an autonomous source of power
            ii) It is only the "effect" of a "perpetual statification" of multiple practices
               (a) Finance
               (b) Investment
               (c) Decision-making
               (d) Control
               (e) Relations of local / central authorities
            iii) It is the "mobile effect of a regime of multiple governmentalities"
            iv) IOW, "moving outside" to see state via analysis of practices of governmentality
   C) Forecast of lectures:
      1) Three topics: law and order / civil society / biopolitics as current liberal governmentality
      2) Two forms of neoliberalism:
         a) German Ondoliberalism (contra Nazism and post-war planning)
         b) American anarcho-capitalism (Chicago School, contra New Deal)
      3) Connections:
         a) Common enemy = Keynes
         b) Common objects of repulsion = state control / planning / intervention in economy
         c) Common theories / figures: Mises, Hayek

II) German neo-liberalism
   A) Requirements for European economic policies in 1948 (= Keynesianism)
      1) Reconstruction
      2) Planning as instrument of reconstruction
      3) Social objectives of avoiding relapse into fascism
   B) German Scientific Council in 1948 proposes use of "price mechanism" as much as possible
      1) No price controls and immediate deregulation of market
      2) Raised question of legitimacy of the state
         a) Trivial sense: state abuse of power in economic realm
            i) Violates basic rights of citizens
            ii) And thus loses its own right to be consider representative
               (a) Thus the Nazis did not lose legitimate sovereignty and individual Germans as citizens are not responsible for Nazi crimes
               (b) But they did lose right to be considered as representatives of German people, so Nazis did not act in the name of the German people
         b) Profound sense:
            i) There is now no claim to juridical legitimacy for a new German state
            ii) But economic freedom can create "point of attraction" for new political sovereignty
   C) So Germans want to found state on economic freedom
      1) Immediate tactical move
a) Attracts support from American business / industry
b) Assuages fears of a German strong state

2) Fundamental feature of contemporary German governmentality
   a) Economic success creates legitimacy for the state that creates / protects economy
   b) This is a "permanent genesis" of state from the economy
      i) More than a mere legal legitimization
      ii) "Permanent consensus" of all economic agents (workers / investors / unions)
         (a) Not as Weber analyzed individual enrichment as sign of God's favor
         (b) But general enrichment as sign of adherence of individuals to state

3) How did German liberalism become accepted?
   a) Supported by Americans, though mistrusted by Germans
   b) Resistance by German socialists
   c) Support by German groups
      i) Christian Democrats
      ii) Christian theorists of the "social economy"
      iii) Labor unions
      iv) Socialist party: as long as an "equitable social order" resulted

D) Discussion of the socialist adherence to new program
   1) Level of doctrine:
      a) For Marxists, this is betrayal of orthodoxy
      b) But for others, this is adherence to a new form of governmentality
   2) Reasons why
      a) Political calculation: neoliberalism was only game in town
      b) Lack of a socialist governmentality
         i) So what if Marx doesn't have a theory of the state?
            (a) No one needs a theory of the state to engage with liberalism
            (b) Locke doesn't have a theory of the state but a theory of government
         ii) Socialism lacks its own form of governmental rationality
            (a) Socialism has several rationalities (knows how to operate in these realms)
               1. Historical
               2. Economic
               3. Administrative
            (b) But it has only operated in connection with other governmentalities
               1. As opposition to liberal governmentality
               2. Within police state / hyper-administrative states
   3) In relation to truth
      a) Temptation to ask this nonsensical question of socialism (but not of liberalism)
      b) Bcs it has to supplement its lack of government rationality by fidelity to a text
   4) We would have to invent a socialist governmental rationality (Mitterand on horizon)
I) Post-war German neoliberalism: how can economic freedom found & limit the state?
   A) A different question from liberalism vs the police state of 18th C absolutism
   B) Biographies of leading German figures: Eucken, Böhm, et al.
      1) They had been dealing with this issue since the 1930s
      2) Closeness of Freiburg School (Ordo-liberals) and Frankfurt School (Critical Theory)
         a) Both start with problematic laid out by Max Weber, displacing Marx
            i) Marx: contradictory logic of capitalism
            ii) Weber: irrational rationality of capitalist society
         b) Two different directions
            i) Frankfurt School: find new social rationality to nullify economic irrationality
            ii) Freiburg School: find new economic rationality to nullify social irrationality
   3) Nazism as the "field of adversity" for neo-liberals
      a) Define an objective: found legitimacy of state via economic freedom
      b) Define "field of adversity" = "whole set of obstacles and enemies" to this project
      c) Redistribution of technical resources available to them

II) Field of adversity for the neo-liberals
   A) Historical sequence of adversaries (actually forms a network rather than sequence)
      1) Theoretical objections in 1840s (List): national econ policy and liberalism are incompatible
         a) Liberalism is suited to a maritime nation (e.g., England)
         b) Germany needs protectionism
      2) Bismarckian state socialism
      3) WWI state planning of wartime economy
      4) Keynesian interventionism
      5) Nazis then contributed a "strict coalescence of these elements"
   B) Theoretical coup de force of German neo-liberals
      1) The truth of Nazism / Nazism as truth, as "economic-political invariant"
         a) Nazism is not a "monstrosity" putting together incommensurate elements
         b) Nazism is instead truth of system, revealing necessary connection of elements
            i) Any way you enter on this path, you end up with Nazism
            ii) "Economic-political invariant":
               (a) Not constitution of state
               (b) But any kind of econ intervention
      2) Nazism as result of "unlimited growth of state power"
         a) This is odd, as Nazism can be seen as "withering away of state"
            i) State is only instrument of the people, the Volk
            ii) State is disqualified from w/in
               (a) No longer principle of administrative hierarchy
               (b) But loyalty and obedience to the Führer
            iii) The party dominated the state
         b) Neo-liberals responded that the state is merely being re-organized
            i) It's just that the 19th C bourgeois state is being destroyed
            ii) To make way for the Nazi super-state
      3) Nazi critique of society produced by bourgeois capitalism (destroys close folk society)
         a) Nazis seem to critique atomized, mass, consumer, spectacle society
         b) But all they really do is intensify these trends
            i) The reason is that these trends are not the fault of capitalism
            ii) But of interfering with the market, which Nazism does to an extreme
III) Failure of nerve of liberalism, limiting market instead of setting conditions for its freedom
A) Economic intervention = application to society of natural science rationality
B) State phobia
  1) Such a global critique lets you Social Security and Gulag in same critique
  2) Key for neoliberals: attribute to state ills supposedly coming from market
     a) [JP: here we have the key to market theology: it can never fail, it can only be failed]
     b) We have to demand even more from the market
        i) In 18th C, market was supposed to be external limit of state
        ii) Now, neoliberals say market should be internal regulating principle of state
        iii) IOW, a reversal
           (a) No longer the market under supervision by state
           (b) But a state under supervision by market
C) Neo-liberal transformations: principle of market changes from exchange to competition
  1) 18th C: market as space for free exchange
     a) All state should do is to ensure respect for freedom of the exchangers
     b) Although state could intervene to ensure private property rights in production
  2) Neoliberals: competition is the key: inequality, not equivalence: price mechanism
     a) Neo-classical econ
        i) State should laissez-faire
        ii) But can intervene to prevent monopoly
     b) Neo-liberals: laissez-faire is only a "naive naturalism"
        i) Bes competition is not a given of nature, but a "principle of formalization"
        ii) "Formal game btw inequalities, not a natural game btw individuals and behaviors"
  3) Competition is a formal structure
     a) It is never attained, but can only be an objective
     b) Econ – history relation
        i) So econ theory is analysis of competition as formal mechanism
        ii) But we can only analyze real effects of any one economy by studying history
           (a) Thus by historical study we can see which conditions allow for competition
           (b) Or in fact render competitive effects impossible
     c) Free market can only be produced by an active governmentality

Lecture 6: 14 February 1979

I) Critique of simple repetition as model of historical analysis
A) Neoliberalism is not just a renewal of past forms
   1) Reactivation of classical liberalism
   2) Extension of market society (abstract labor, exchange, etc.)
   3) Growth of state
B) Rather, we have to see the uniqueness of neoliberalism
   1) Not to limit state by econ, but to found state on free market principles
   2) Transformations:
      a) No longer laissez-faire: competition is not given, but a formal structure
         i) Rigorous in its theoretical essence
         ii) But fragile in its historical reality
II) Lippmann Colloquium confirms uniqueness of neoliberalism as concern w/ style of govt action.
A) Monopoly
   1) Classical: monopoly is semi-natural / semi-necessary consequence of competition
   2) Neoliberals: monopoly is not part of economic / historical logic of competition
a) Historical: Monopoly is archaic phenomenon due to state intervention

b) Juridical:
   i) Law of joint-stock companies, patent rights, etc
   ii) Political: link btw national economy / protectionism / monopoly

b) Economic: increase in fixed capital does support trend to concentration / monopoly
   i) Not inevitable: monopoly threshold only passed due to market interference
   ii) Even if it occurs, monopoly is instable and can be fixed by competition

d) Monopoly disturbs prices
   i) But a company can't really charge monopoly prices w/o attracting competitors
   ii) So it has to charge something close to the competitive price

3) So conclusion of neo-liberals is to prevent external / non-market causes of monopoly

B) Conformable economic action

1) Regulatory actions (Kantian echo: providing a focal point for ongoing process)
   a) Target of interventions
      i) You must never act on mechanisms of market
      ii) But only on three tendencies that are conditions of market competition
         (a) Reduction of costs
         (b) Reduction of profit
         (c) Localized tendency to increase profit
            1. Price reductions
            2. Improvement in production

   b) Consequences:
      i) Objectives of regulation = price stability as control of inflation
      ii) Instruments: control of credit conditions through central bank interest rates

2) Organizing actions: intervention on more fundamental conditions ("framework")
   a) Population
   b) Technology
   c) Legal framework
   d) Natural environment

C) Social policy

1) Contrast with social policy of welfare economy
   a) Counterweight to unrestrained economic processes producing inequality
   b) Instruments:
      i) Socialization of elements of consumption (e.g., health care)
      ii) Income transfer
      iii) Stronger growth should be rewarded w/ stronger social policy

2) German ordoliberals reject all of these
   a) We cannot interfere w/ production of inequality (thus no income transfer)
   b) Cannot allow socialization of consumption: need for privatization
      i) Society can no longer insure risks
      ii) Each individual must self-insure against risks
   c) Economic growth itself must be the only social policy

III) Society itself (or "social environment") as target of neoliberal governmentality

A) What is neoliberal relation of market and society?

1) It is not what Marxists critique
   a) Normalized mass consumption "market society"
   b) That is, society of exchange of commodities (incl. labor power)

2) Rather it is society of competition / "enterprise society"
   a) "social ethic of enterprise" in Weber, Sombart, Schumpeter
      i) Everyone should have access to private property
      ii) Reduction of urban sprawl
I) Recap of last week: social policy of the German neoliberals
   A) Active government aiming at conditions of market
      1) Not intervening in the market or compensating for market effects (inequality)
      2) But fighting anti-competitive mechanisms
         a) Socialized medicine
         b) Income transfer
   B) Forming society on model of enterprise
II) This week: the problem of law
   A) Louis Rougier at the Lippmann Colloquium
      1) Liberalism (= market) not simply a natural mechanism as 18th C believed
      2) But also result of active government judicial framework
         a) But we can't suppose the current system is best
         b) Need to constantly adapt legal framework
            i) Scientific discovery [= intellectual property]
            ii) Changes in corporate structure [= outsourcing]
            iii) Changes in structure of society [= new markets; "real subsumption"]
            iv) Requirements of contemporary consciousness [= media; advertising, etc]
   B) Neoliberals would reply that 18th C market was just as artificial as contemporary
III) What is neoliberal about Rougier's text?
   A) Juridical is not part of superstructure; not a mere expression of economic; it forms economic
      1) Theoretical meaning: there is an "economic-juridical order"
         a) Like Weber, at level of "relations of production" rather than "forces of production"
         b) Economic is regulated from the start; it can't get ahead of or lag behind law
      2) Historical meaning:
         a) Reject Marx's revolution as independent economic changes forcing superstructural changes from below
         b) History of capitalism is from the start an economic-institutional history
      3) Political stake: survival of capitalism
         a) For Marxists:
            i) Economic logic of capital accumulation is determinant
            ii) There is only one Capitalism
            iii) So that end of Capitalism is foretold in its current crisis
         b) For neoliberals
i) The "capital" process
   (a) Is only a theoretical entity
   (b) That exists in a particular historical economic-institutional reality

ii) Thus today we have only one form of capitalism ("historical singularity")
   (a) This singularity can give rise to economic-institutional "transformations"
   (b) So we have a "field of possibilities"

iii) Neoliberals want to show how capitalism can survive w/ different institutions
   (a) Show how competitive market logic was non-contradictory
   (b) Show how current ills of capitalism
      1. Were historical-institutional [in fact, due to state intervention]
      2. And could be overcome w/ better institutions

4) Summary: neoliberal intertwining of two problems
   a) Logic / theory of competition
   b) Weberian problem of economic-institutional history

B) "Legal interventionism"

1) Situation:
   a) The neoliberals had to invent a new capitalism
   b) Laws cannot interfere w/ market mechanisms
   c) Rather, laws have to make sure that market mechanism are the only game in town
      i) Principle of economic regulation
      ii) And thus principle of social regulation

2) Solution: application to the economy of the "rule of law"
   a) Early 19th C German conception of Rechtsstaat is opposed to
      i) Despotism as subordination to will of sovereign
      ii) "Administrative continuum" of police state (no difference btw law and regulation)
   b) Rule of law is instead
      i) Public authority must take the form of law (not will of sovereign)
      ii) Laws as acts of sovereign must differ from particular decisions of public officers
   c) So, w/ rule of law any citizen must have real judicial recourse against public authorities

3) So the neoliberals want to make sure any economic legislation is formal / universal
   a) Proximate targets:
      i) Hitlerian intervention
      ii) New Deal / English post-war planning
   b) Hayek's formula: rule of law is opposite of planning
      i) Plans
         (a) Aim at a particular goal (e.g., full employment, income transfer)
         (b) Can be corrected / modified
         (c) Public authorities make decisions
         (d) Public authorities can become economic agents (public works spending)
         (e) Presuppose that public authorities are subjects of economic knowledge
      ii) Rule of law
         (a) Completely formal w/o any aims or goals
         (b) Must be a priori w/o any chance of being changes
         (c) Must be a framework w/in which private individuals make decisions
         (d) Must bind the state as much as private individuals
         (e) Rules out possibility of a subject of economic knowledge

4) "Law and order"
   a) Thus the economy must be a "game" for both state and individuals
   b) Rule of law is only the framework, the rules of the game
   c) That allows "economic order" to emerge as both effect and principle of its own regulation

C) Growth of "judicial demand": "surfaces of friction" increase among multiple economic actors
IV) Conclusion: comparison of neoliberals with Schumpeter
A) Schumpeter agrees w/ neoliberals that there is no internal contradictory logic of capital
B) Differences btw Schumpeter and neoliberals
   1) Schumpeter's "pessimism"
      a) Historical / concrete capitalism always has monopoly tendencies
         i) Not due to economic logic of competition
         ii) But due to social consequences of competition
             (a) Tendency to centralization
             (b) Tendency to become connected to administrative / state decision-making
      b) These social consequences lead to a transition to socialism brought about by capitalism
         i) Again, not due to an economic irrationality
         ii) But due to social consequences of competitive markets
      c) The political price of this transition to socialism is high, but not impossible to pay; IOW, we can avoid totalitarian socialism
   2) Ordoliberal reply
      a) The political price is unacceptable
         i) No way to avoid complete loss of freedom once you accept planning
         ii) Because planning always involves errors which call for more control
      b) We can avoid this by intervening to prevent the centralizing tendencies Schumpeter notes
         i) Precisely because we can intervene at the social level
         ii) And not touch the economic level (which Schumpeter agrees is not the problem)
      c) That is, we can avoid Schumpeter's problem by "law and order" (see above)

Lecture 8: 7 March 1979

I) Introduction
A) Methodological reflection on "micropowers" qua governmentality as conduct of conduct
   1) Target:
      a) F first developed analysis of micropowers in looking at treatment of mad, prisoners, etc.
      b) Now he uses it to analyze economic policy as management of whole social body
   2) Conclusion: analysis of micropowers
      a) Not a question of scale or of a specific target
      b) But the adoption of a "point of view"
B) "Critical morality" and "state phobia"
   1) Two common and interlocking themes
      a) State possesses a power of expansion that always threatens civil society
      b) Kinship btw different forms of the state
         i) Administrative state
         ii) Welfare state
         iii) Bureaucratic state
         iv) Fascist state
         v) Totalitarian state
   2) F's criticism of these themes as "inflationary"
      a) Encourages the acceleration of interchangeability of analyses
         i) E.g., we can move from analysis of social security to analysis of concentration camps
         ii) Thus the requirement for a "specificity of analysis" is diluted
      b) Allows a "general disqualification by the worst" (= slippery slope)
         i) E.g., denouncing "slide to fascism" in severe punishment of vandals (cf. Guliani's "zero tolerance" campaign)
ii) This hides the need to analyze our own practices on their own terms
c) "Elision of actuality" in denouncing fantasy of "paranoiac and devouring state"
d) Does not carry out self-analysis / self-criticism
i) Doesn't look for real source of state phobia
ii) I.e., doesn't see historical situation of 1930-45 neo-liberals, who were fighting
   (a) Keynesian interventionism / critiques of liberalism
   (b) New Deal (US) / Popular Front (France) state control systems
   (c) Nazi economics and politics
   (d) Soviet Union
3) F's demonstration that current (leftist) state phobia has echoes / roots in neo-liberal thought
   a) Röpke: 1943: Beveridge Plan (Britain) = destruction of middle class by state
   b) Hayek: 1943: Beveridge Plan puts us on path to Nazism
C) F's alternate viewpoint
1) Welfare state ≠ / doesn't have same origin as Nazi, fascist, Stalinist state
2) Totalitarian state is in fact a withering away of state in favor of the party
   a) It is not the police state pushed to its limit
   b) In fact it is a non-state governmentality, a governmentality of the party
3) Twentieth century state is reduction of state / raison d'Etat
   a) Growth of party governmentalities
   b) Liberal governmentality
4) Conclusion: contemporary (1979) analyses based on state phobia
   a) Are not new but old-fashioned neo-liberal ideas
   b) Are mistaken if they attribute a fascist growth tendency to state
      i) Fascism (as party governmentality) is exogenous to state
      ii) Fascism is reduction of state, not its growth
II) To study diffusion of German neoliberalism in France, we must first distinguish it from US
A) France as site of "diffusion" of German model
   1) France has a strong state-centered, interventionist, administrative governmentality
   2) Occurs in midst of economic crisis
   3) Agents of implementing the German model are state administrators in midst of a crisis
B) US
   1) Has own neoliberal tradition, though w/ complex interrelation w/ Germans (via Hayek)
   2) Political aspect of US economic aspect (questioning of New Deal)
   3) Agents are not government administrators, but political opposition movement
III) Focusing on France: Giscard's policies
A) Economic Context
   1) Shift in policy objectives
      a) From Keynesian full employment, etc
      b) To neoliberal price stability (anti-inflationary / monetarism)
   2) Diagnosis of the crisis
      a) Not Keynesian underconsumption
      b) But as problem w/ investment choices
   3) Oil crisis
      a) Not the formation of OPEC as cartel of sellers / producers
      b) But decline in market / geopolitical power of cartel of buyers / consumers
4) Liberal solution was integration of French economy in European / world economy
   a) Just another swing in French history btw dirigiste and liberal orientation?
   b) No, it's really the question of a different regime, neo-liberalism
B) Social policy
   1) Historical remarks
      a) Two problems
i) Full employment as economic / social priority
ii) Avoiding devaluation (inflation) due to economic growth

b) Model was "war" as national solidarity leading to "social security coverage of risks"

2) Solution: collective consumption / permanent redistribution of income ("welfare state")

JP: there's a big political affect question here about collective vs individual risk. Ewald has good stuff on 19th century insurance. Cf Melinda Cooper discussion in Life as Surplus on new catastrophic risk model (Ulrich Beck): calculable vs incalculable damages (e.g. ecological / nuclear catastrophes require pre-emption rather than recompensation.) See also Randy Martin, Financialization of Daily Life of the "somaticization of risk" as when personal finance types tell you to take on only the amount of risk that allows you to sleep at night!

3) Three answers as to the economic effects of social security / welfare state
   a) We like the results / we need to counteract the market the liberals have set up
   b) There have been no effects on the economy
   c) There are bad effects on the economy
       i) Raise in cost of labor
       ii) Net redistribution to the wealthy (due to cap on taxable income)

4) Giscard's response (accepting third analysis)
   a) We should have two separate systems: economic tax and a social tax
   b) We can do this if we conceive economy as a game and state as setting rules of game
       i) State can supply a safety net as a sort of "inverted social contract"
           (a) In social contract
               1. You must will participation
               2. And if you will it, you're part of contract until you cut yourself out
           (b) In economic game
               1. You don't will participation
               2. State ensures that you're never excluded from this non-willed game

C) The idea of the "negative tax"
   1) Basic idea:
       a) Social benefits should never be collective consumption (health care / income, etc)
       b) So we will guarantee a minimum income if you fall below a threshold
           i) Solves problem of wealthy benefitting most from (e.g.) national health care
           ii) Assistance threshold has to be calculated so as not to remove "incentive" to work
   2) Characteristics
       a) Aims only at effects of poverty (removal from game) not causes of poverty
           i) This can be phrased in terms of "basic needs"
           ii) So we can be done with the whole distinction btw "worthy" and "unworthy" poor
       b) Will not involve a redistribution of income
           i) Doesn't aim at relative poverty (doesn't seek to close gap btw richest / poorest)
           ii) But only aims at "absolute" poverty
               (a) Of course this is relative to each society
               (b) Accepts the existence of poor people (instead of aiming at their elevation)
       c) Above absolute poverty threshold requiring assistance
           i) Everyone is an enterprise
           ii) "Floating population" around the threshold subject to precarious labor conditions

D) Summary
   1) Renunciation of Keynesian goal of full employment
   2) Neoliberal aim is now integration of all of society in a market economy
   3) New "reserve army of unemployed" / downward pressure on wages [NB: not F's terms]
       a) Precarious / "floating" population around threshold
b) Not same as 19th C production of proletarians via destruction of peasantry

c) Now system works via subjectivity, not brute force / coercion by fear of starvation
   i) You don't have to work in order to survive; you only work if it's in your interest
   ii) This is a liberal system
       (a) ≠ Bureaucratic system (social workers establishing causes of poverty)
       (b) ≠ Disciplinary system (prisons / poor houses / work houses)

4) Radicalization of German ordoliberal thought

Lecture 9: 14 March 1979

I) Context for American neo-liberalism
   A) Shared with German neo-liberalism
      1) Opposition to New Deal / Keynesianism
      2) Post-war socialization / interventionism
         a) "Social pacts" w/ working class rather than international pacts with allies
         b) Fighting in war traded for social security (in broad sense: full employment, etc)
      3) Social programs up through Johnson's Great Society
   B) Unique features of American neoliberalism
      1) American liberalism was foundational from beginning of nation, back in 18th C
      2) Liberalism has been heart of political debate in US for 2 centuries
      3) Thus Keynesianism can appear as extraneous and threatening
         a) Appearing as "socialist" to the right
         b) And appearing as "imperialist and military state" to the left
   C) Thus American liberalism is not just a new theory, but a whole historical way of life
      1) It's a relation btw governors and governed rather than a technique of governors
      2) Thus liberalism appears as / exists as working out of problem of freedom
         a) Ambiguous, global claim for both right and left
         b) Utopian focus constantly revived (e.g., Hayek [later Nozick])
         c) Method of thought / grid of economic-sociological analysis

II) Theory of human capital as extension of economic analysis into previously unexplored [but still economic] domain [labor]
   A) Abstract labor
      1) Classical political economy didn't really explore labor [vs land and capital]
         a) Smith and Ricardo just reduce labor to time (= "neutralization" of nature of labor)
         b) Thus in Keynes labor is a passive factor awaiting activation via adequate investment
         c) And although the neoliberals never argue with Marx
            i) Because of "economic snobbery" ("minor post-Ricardian" etc.)
            ii) If they did, they'd see the same neutralization of labor
                (a) Abstract labor = labor power measured in time
                (b) Logic of capital is what reduces concrete labor to abstract labor to labor power
      2) Neo-liberals claim abstraction of labor
         a) Is not due to "real capitalism"
            i) But only to economic theory of classical economics
ii) In other words, there has never been a truly economic analysis of concrete labor

b) Thus a whole [Marxist] "anthropology" and "politics" of labor fills the void of what a truly economic analysis of concrete labor would have been

B) So neoliberalism = "essential epistemological transformation" changing domain of economics

1) Classical economics analyzes mechanisms of production / exchange / consumption
2) Neoliberals analyze "substitutable choices" (= scarce means w/ mutually exclusive ends)
   a) It's thus not analyzing relations btw things or processes
   b) But analyzing rational structure of a form of individual human behavior
3) So what is neoliberal / "scientific economic" analysis of labor?
   a) It's not seeing it as a factor of production in relation to capital
   b) But it's asking how worker uses the means available to him
      i) What is work as an economic activity, i.e., as a rational choice of means / ends
      ii) That is, how do we take the perspective of worker as an active economic subject?

C) Kernel of theory of human capital

1) If wage = income, and income = return on capital, what then is worker's capital?
2) It's the set of physical and psychological factors of the worker
   a) Worker now IS a machine for generating income
   b) Worker's capital is inseparable from his person, so it's not like other machines
      i) Opposed to labor power as commodity sold on market to enterprise capital
      ii) Worker is now his own enterprise

D) A new form of homo economicus

1) Difference btw classical and neoliberal conceptions
   a) Classical liberals: homo economicus = man of exchange / needs-based utility
   b) Neoliberals: homo economicus = self-entrepreneur [= self-capitalized machine]
2) Consequences: universal production [no more exchange / commodities] (cf. Anti-Oedipus)
   a) No more labor
      i) You don't exchange [commodified] labor power for wage
      ii) You produce a return on your capital
   b) No more consumption
      i) You don't consume commodities (gotten via exchange for wage)
      ii) You produce satisfaction

III) Theory of human capital as enabling possibility of economic analysis of what was previously thought to be non-economic [family time, genetics, education, etc]: imperialism of Economics

A) Innate elements [there are a lot of complex issues here; I'm just going to present what F says]

1) Genetic analysis showing disease risk creates possibility that good genes are scarce resource
2) And once we have scarcity, we can do an economic analysis of rational choices
   a) Cost / benefit analysis of genetic screening
   b) Qualifications on reproduction market (advertising your good genetic capital, etc.)
3) So rather than / alongside traditional racism, we have economic / human capital analysis of
   a) Selective abortion
   b) Eugenics

B) Acquired elements

1) Forms of these acquired elements of human capital
   a) Educational investments
i) Broader than just schooling
ii) Thus also parental time investment (building qualitatively on their human capital)

b) Medical care
c) Mobility: cost / benefit analysis: migrants as investors looking to future returns

2) Consequences
a) Obvious political consequences F doesn't name, but we can
i) Privatization of public institutions in name of free choice
   (a) School vouchers
   (b) Health care, etc.
ii) Eliminating social analysis of bad outcomes (IOW, "blaming the victim")
   (a) Poor individual choices regarding specialization
   (b) Poor impulse control regarding current consumption vs investment for future
   (c) Generalizable as "culture of poverty"

b) But F's real interest lies in analysis of innovation
i) Marx and others note the tendency of rate of profit to decline
ii) Schumpeter notes how this is continuously corrected
   (a) Rosa Luxembourg provides imperialism analysis here
   (b) Schumpeter notes role of innovation

iii) Neoliberals respond
   (a) We can't trust "innovation" as some ethical-econo-psychological characteristic
   (b) We have to see it as return on investments in human capital
      1. Analysis of post-war American / European / Japanese economies
      2. Analysis of Third World economies
      3. Analysis of European economic takeoff of 16th / 17th centuries

Lecture 10: 21 March 1979

I) German ordoliberalism and the ambiguous relation of society and economy
A) "Social policy": seemingly to protect fragile competitive market from society
   1) Objectives
      a) Avoiding centralization
      b) Encouraging medium-sized enterprises
      c) Support for craft enterprises, small business, etc
      d) Increase access to property ownership
      e) Individual insurance
      f) Environmental regulation
   2) "Economic-ethical ambiguity" of notion of "enterprise"
      a) Generalizing enterprise form throughout social fabric
         i) Thus individuals are not tied to one big firm ("company town" as extreme)
         ii) But lives in a "framework of a multiplicity of diverse enterprises"
            (a) Thus individual actions can be felt in those small firms
            (b) And individual is no longer dependent on any one firm
         iii) Thus the individual becomes himself a "permanent and multiple enterprise"
b) But all this is done in order to compensate for "cold" / mechanical competition
   i) Extending economic model supports "warm" cultural values
   ii) = Vitalpolitik or "life policy" (vs cold, mechanical competition)

B) Conclusion: ordoliberal ambiguity = social policy for and against market
   1) Protect market from state intervention done to respond to social pressures
   2) Protect society from fragmentation via cold mechanism of competition

II) American neoliberalism is much more radical
A) Generalized economic analysis as grid of intelligibility of [traditionally non-economic] social relations / individual behavior
   1) Human capital and mother / child relations
   2) Birth rate as related to investment in human capital
      a) Compare neo-Darwinist discussion of different species "reproductive strategies"
      b) E.g., low investment / high birth rate vs high investment / low birth rate
   3) Marriage as savings on transaction costs of individualized actions

B) Economic analysis as test of government action
   1) American Enterprise Institute and cost-benefit analysis of public action
   2) Analogy with positivist critique of ordinary language [bit of a tour de force here]
   3) Contrast with classical liberal laissez-faire
      a) Classical liberals: market should be isolated from government interference [via rights]
      b) Neoliberals: market should constantly judge government
   4) IOW, protect market from government AND refuse to protect government from market

III) Becker et al's analysis of criminality as example of these two analyses
A) Looks at first like a simple return to 18th reformers who also did cost / benefit analyses
   1) 18th century reformers did a utility calculation and offered a legalistic solution
      a) Law reduced transaction costs and so was cheapest way of punishing people
      b) So we had overlap of homo penalis (exposed to legal punishment) and homo economicus
   2) 19th century notices a paradoxical effect
      a) Law only sanctions acts or crimes but it's the criminal who must be punished
      b) Thus human science creation of homo criminalis and drift away from homo penalis
   3) And so we have an "anthropology of crime" replacing mechanics of law

B) Neoliberal analysis: stick to homo economicus as subject of crime
   1) Hypothetical neoliberal analysis of 18th C reformers: don't assume utility calculus can be done w/in a legal framework
   2) Neoliberal analysis of crime
      a) Definition: crime = action that make individual run risk of penalty
         i) This is close to French penal code (objectively defined in terms of act)
         ii) But neoliberals adopt subjective perspective: what is rationality structure of choices?
      b) This subjective perspective
         i) Not psychology / anthropology
         ii) Just grid of intelligibility of individual qua homo economicus
   3) What does this mean about homo economicus as subject / object of economic analysis?
      a) Doesn't mean we consider whole subject as nothing but homo economicus
      b) But it means we can analyze rationality structure of any human action
      c) And thus individual becomes "governmentalizable" via economic analysis
C) Consequences of neoliberal analysis

1) Regarding crime
   a) No qualitative difference in crimes (parking infraction vs murder)
   b) No interrogation of criminal for moral / anthropological traits
   c) Criminal is just an investor / entrepreneur accepting risk in expectation of profit
   d) So the system doesn't deal with criminals, but acts on supply of crime

2) Regarding punishment
   a) = means employed to limit negative externalities of certain acts
   b) 18th C tried to connect
      i) Civil reparation
      ii) Individual correction
      iii) Prevention
   c) Neoliberals: two-fold aspect of law
      i) Prohibition with a certain cost of uttering it
      ii) Enforcement as providing "negative demand" to supply of crime
         (a) Quantity of punishment
         (b) Apparatus for detecting crimes
         (c) Judicial apparatus for convicting criminals
         (d) Speed and severity of judgment
         (e) Effectiveness of penalty
         (f) Modifiability of penalty

D) Analysis of "law enforcement"

1) Supply of crime is not indefinitely or uniformly elastic
   a) Shoplifting
      i) Easy to get some reduction
      ii) Very hard to get reductions past a certain point
   b) Crimes of passion
      i) Some would disappear w/ easier divorce
      ii) Others wouldn't be affected by divorce

2) Enforcement itself has costs and negative externalities
   a) Cost: law enforcement investment means less for other options
      i) 18th C aimed at total disappearance of crime
      ii) Neoliberals just want efficient intervention in crime market
         (a) Society is "consumer" (= producer) of conforming behavior
         (b) So we just want to balance supply and negative demand curves of crime
   b) Negative externalities:
      i) Neoliberals do not want / need elimination of crime
      ii) So they do not want / need exhaustive disciplinary / Panoptical society

E) Concrete example of drug market

1) Previous policy was to reduce drug supply
   a) Increased price of drug
   b) Favored monopoly / oligopoly effects of big dealers
   c) Pushes addicts to crime bcs of inelastic demand for some drugs

2) Neoliberal solution: Free up supply of drugs
a) Analysis
   i) Categories of buyers
      (a) Beginners with elastic demands
      (b) Addicts with inelastic demands
   ii) Attitude of pushers
      (a) Low prices for beginners
      (b) High prices for addicts

b) Policy
   i) Price manipulations
      (a) Make new consumer price as high as possible to discourage consumption
      (b) Make addict price as low as possible to limit crime to pay for drugs
   ii) Targets: new customers, small dealers, small trade

F) Conclusion:
   1) Anthropological erasure of criminal
      a) No analysis of the "born criminal," the "pervert," etc.
      b) Every criminal is "responsive" to possible gains / losses [cf. "rational psychopath"]
   2) Type of society
      a) Not a disciplinary / normalizing society
      b) But a differential society
         i) Fluctuating practices
         ii) Minority individuals and practices are tolerated
         iii) Action on rules of game rather than on players
         iv) Environmental intervention rather than internal subjugation of individuals

Lecture 11: 28 March 1979

I) Recap of last week: extension of object of economic analysis
   A) From neoclassical: any form of allocating scarce resources to alternative ends
   B) To neoliberal universality:
      1) From any employment of limited means to one end among others
      2) To any strategic choice / rational conduct whatsoever
      3) Or even, with Becker, to any action that "accepts reality"
         a) That is any system that responds to environment in systematic way
         b) Thus econ = study of systematic nature of response to environment
            i) Integration with behaviorism and stimulus-response study
            ii) F mentions Castel's Psychiatric Society

II) Relation of government and homo economicus
   A) Background suggests homo economicus as resistant to 18-19th C government
      1) For classical liberals, homo economicus
         a) Pursues own interests which converge spontaneously w/ interests of others
         b) Thus he must be left alone in order for the convergence of interests to work
      2) For neoliberals, homo economicus
         a) As responsive to environment
b) Is eminently manageable / governable

B) But F wants to show that *homo economicus* was correlate of liberal governmentality from start

1) Theory of subject in English empiricism
   a) Not defined by
      i) Freedom
      ii) Opposition of soul and body
      iii) As source of sinful desire
   b) But as subject of individual choices which are irreducible and non-transferable
      i) Irreducible: there is an end point to analysis in preference for non-painful
      ii) Non-transferable: choice made on basis of MY preference
   c) That is, as subject of interest: immediate and absolutely subjective will

2) Can this subject of interest be same as subject of juridical will?
   a) They may not be able to be assimilated, but they can be reconciled
      i) Social contract does this: interest is the empirical source of the contract
      ii) So the legal subject is a "purified" (i.e., rational / calculating) subject of interest
   b) Hume responds that this is confused
      i) Subject of interest is irreducible to subject of right
         (a) You enter the contract out of interest and you stay in contract out of interest
         (b) Subject of interest is "permanent condition" of functioning of subject of right
      ii) Logic of subject of right and subject of interests is different
         (a) Subject of right
            1. Has natural rights; acquires positive rights on basis of renouncing rights
            2. He is thus a "split subject"
         (b) Subject of interest is never split; never relinquishes his interest
            1. In fact only on this basis is there social benefit
            2. A "multiplying and beneficial value through intensification of interest"

3) Thus the economic subject and subject of right have different relation to political power
   a) So homo economicus appears in liberal governmentality
      i) Via economic thought which delimits zone free from political interference
      ii) That is, homo economicus is constituted by political economy critique of govt reason
   b) Not in liberal political thought (social contract theory)

III) Theory of the invisible hand as principle of political economy critique of governmental reason

A) Background
   1) Condorcet: take an individual interest embedded in society
      a) This interest is dependent on an infinite number of things
      b) Nevertheless, each individual effort serves good of all
   2) Homo economicus is thus embedded in "indefinite field of immanence"
      a) Doubly involuntary: accidents befalling him and benefits he provides to others
      b) Doubly indefinite:
         i) Accidents come from non-totalizable field
         ii) And benefits are also non-totalizable
   3) Thus positive nature of economic calculation depends on what eludes calculation

B) This structure of dependent / blind calculation is the meaning of the "invisible hand"
   1) Usual reading
a) This is just smuggled in providential God
b) Who occupies point of economic totalization / transparency / knowledge

2) F's reading of Smith: for invisible hand to bring about social good
   a) Each actor MUST be blind to totality and so must ONLY pursue individual interest
   b) And ALL political actors must be blind; sovereign cannot pretend to know
      i) Government cannot obstruct individual interest
      ii) Government cannot totalize knowledge of economy

3) Thus economic rationality is founded on unknowability of totality of economy
   a) There must be a "multiplicity of points of view"
      i) They are irreducible to each other
      ii) Which assures their convergence
   b) The multiplicity cannot be totalized: "economics is an atheistic discipline"

C) Thus economic rationality of liberalism "steals" essentials of that which sovereign rules over
   1) In other words, liberalism is founded on an "essential incompatibility"
      a) Non-totalizable multiplicity of economic subjects of interest
      b) Totalizing unity of juridical sovereign [who rules equally over all subjects of right]
   2) And therefore an "economic-juridical science" is impossible
   3) So here we have the possibility of political economy as critique of governmental reason
      a) Critique here in the Kantian sense: "limits and condition of possibility" of X
      b) Political economics says: no economic sovereign bcs of its ignorance of totality
      c) We can thus analyze the debates over government planning / socialism in this light

IV) Conclusion: on a more restricted scale, we see political economy critique of police state
   A) Obviously, contra the mercantilist / administrative state which posits an economic sovereign
   B) But more interestingly contra the physiocrats, who agree that sovereign must not intervene
      1) But country is sovereign's property, so he has right to taxation
      2) The Economic Table allows sovereign to have exact knowledge of economy
         a) So the freedom of economic agents is justified
         b) By the total economic knowledge of the sovereign
      3) Sovereign explains to economic agents / shares his knowledge
   C) So it's physiocracy that Adam Smith opposes
      1) There can be no total economic knowledge possessed by sovereign
      2) Thus [classical liberal] political economy can establish economy as limit of government
      3) And so civil society and not economy will be object of liberal governmentality

Lecture 12: 4 April 1979

I) Intro: discussion of homo economicus (H E)
   A) Characteristics
      1) Non-substitutable and irreducible atom of interest
      2) Cannot be equated with or reduced to subject of right
      3) Does not have same dialectic as subject of right
         a) Subject of right enters contract w/ other subjects by renouncing / transferring some rights
         b) H E is part of economic domain by "dialectic of spontaneous multiplication"
B) Results for relation of H E to political (sovereign) power
   1) Subject of right limits sovereign power
   2) H E strips sovereign of power by revealing inability to master economic field
      a) In Middle Ages through 17th C, God's intentions were inscrutable
      b) Now it's the economic realm that is "impenetrable" to sovereign knowledge
C) Two solutions to this stripping of sovereign power over economy
   1) The solutions:
      a) The "geographic" solution:
         i) Market is free space where sovereign cannot enter
         ii) Same raison d'Etat, just with one zone subtracted
      b) Physiocratic solution: sovereign will exercise a different kind of power over market
         i) He will recognize its reality, the way a geometer recognizes geometrical reality
         ii) From political activity to theoretical passivity
   2) These two solutions: only a "theoretical and programmatic virtuality" never applied in history
      a) Art of government must be exercised in space of sovereignty
      b) But this space is occupied by economic subjects, not juridical subjects
      c) So how can sovereign avoid be reduced to leaving them alone or being only a geometer?
         i) Juridical theory cannot help here
         ii) New object / new plane of reference needed to constitute new correlate of art of govt
            (a) New ensemble enveloping both subject of right and economic actor
            (b) As aspects that can be integrated by virtue of belonging to a complex whole
D) Civil society as new object of governing in order to maintain unity / activity of governing
   1) Need for new object for government faced with economic reality
      a) To avoid split into juridical action and economic passivity
      b) Or to avoid being reduced to observing "geometer"
   2) The art of government requires a new object: civil society
II) Civil society as correlate of technology of government:
   A) Preliminary discussion
      1) Definition
         a) It's the juridical structure of government pegged to economic structure
         b) H E = abstract / ideal / purely economic point inhabiting complex reality of civil society
      2) Ontological status
         a) NOT a historical-natural given that is foundation of and source of opposition to state
         b) IOW, civil society is a "transactional reality" like madness or sexuality
            i) Have not always existed
            ii) Are born from interplay of relations of power and everything which eludes them
   B) To illustrate this historical genesis, F discusses change in nature of civil society in 18th C
      1) Preliminary discussion
         a) In Locke, civil society = society w/ a juridical-political structure
         b) With entry on scene of political economy, civil society changes
      2) Ferguson's text: Essay on the History of Civil Society: civil society has 4 aspects
         a) As an historical-natural constant
            i) Human nature is historical, because human nature is social
            ii) Social bonds are spontaneous and inevitable
iii) So we can find state of nature in civilization as well as in "primitives"
iv) But this also means we never find "pure" / "simple" state of nature
b) As assuring spontaneous synthesis of individuals via economic bond that threatens it
   i) Not a mechanism for exchange of rights
   ii) But a mechanism of "immediate multiplication"
       (a) Distinct interplay of non-egoist, disinterested interests wider than egoism
       (b) Non-local bonds among economic subjects
           1. No localization in global market
           2. But bonds of sympathy are local
iii) So civil society is formed of ensembles / communities (not all of humanity)
iv) Ambiguous position of economic bonds
   (a) Civil society is formal medium of non-local economic bonds
   (b) But economic bond = "principle of dissociation" vs. local sentimental bonds
c) As permanent matrix of political power
   i) Civil society plays role of a spontaneous social contract
   ii) Thus no need to surrender rights, since there is a spontaneous formation of power
       (a) De facto bond linking concrete individuals
       (b) Whose differences are expressed in division of labor in decision-making process
       (c) IOW, some spontaneously "assume" power by virtue of their "talents"
       (d) So power exists before it is legitimated
d) As "motor of history"
   i) Opposing principles
       (a) Spontaneous synthesis / subordination provides hypothesis of stable equilibrium
       (b) But also dissociation and hence disequilibrium
           1. Via egoism of power
           2. Via egoism of economic action of H E
   ii) It's the latter that produces movement of history
       (a) Example
           1. Savagery =
              a. Society w/o property
              b. Only beginnings of subordination
           2. Barbarism = new economic-political institutions
              a. Not yet governed by laws
              b. But by personal relations (patron − client; master − servant; etc.)
       (b) Discussion
           1. Global synchronic [emergent] results from individual blind action
           2. Also diachronic emergence as historical progress via blind egoistic interest
3) Conclusion: three elements of civil society as markers of "new system of political thought"
a) Domain of non-juridical social relations
b) Articulation of history and the social bond
   i) Non-degenerative history
   ii) But constantly renewed / innovative history
       (a) New social fabric / relations
       (b) New economic structures
(c) New types of government
  c) Internal and complex relation of social bond and government
     i) Government as organic component of social bond
     ii) Social bond as organic feature of form of authority

III) Conclusion as opening a series of problems
   A) Civil society enables us to avoid theoretical / juridical problem of original constitution of society
      1) Posing the problem of relation of society and state
         a) Old problem:
            i) How to find juridical form at origin of society
            ii) In order to delimit power in advance
         b) New problem:
            i) We have an existing society w/ subordination
            ii) How to regulate power in such a society?
      2) Possible solutions
         a) State as a dimension of civil society
         b) State as a historical stage in development of society
         c) State as characteristic of a type of society
         d) State as self-consciousness / ethical realization of civil society (Hegel)
   B) Problem of civil society in concrete cases
      1) Germany: how can civil society support the state?
      2) England: the problem is in terms of government rather than state
         a) Does civil society really need a government?
         b) Thomas Paine [question of anarchism]
      3) France: what is status of Third Estate as vector of history?
   C) Does civil society bring about a "redistribution" of governmental reason?
      1) Middle Ages: limit government power by appeal to
         a) Wisdom of person who governs
         b) = knowledge of human / divine order
         c) A matter of truth
            i) Religious texts
            ii) Divine revelation
            iii) Order of world
      2) 16th / 17th C: raison d'Etat:
         a) Calculation of power on basis of force / wealth / relations etc.
         b) No longer indexed to truth, but to rationality
            i) Raison d'Etat as rationality of the sovereign himself
               (a) Juridical problem: who is the sovereign?
               (b) Factual problem: how to exercise this power on economic processes?
                  1. Sovereign power is unitary and totalizing ("bird's-eye view")
                  2. But economic processes are a non-totalizable multiplicity
            c) Liberalism: how to model government on rationality of subjects of interest?
               i) Inversion: no longer government based on rationality of the governor / sovereign
               ii) But now rationality of governed is regulating principle of rationality of government
   D) F's constant warning: notice the entanglements of history!
1) The three forms of government rationality (truth / sovereignty / liberalism) are not successive
2) But entangled / coexisting
   a) National / statist politics still abides by rationality of governing sovereign
   b) Marxism still abides by rationality of a truth revealing itself in history
   c) Liberalism abides by rationality of economic agents / the governed
3) And thus these three forms constitute object of political debate / struggle for last 2 centuries