

CHAPTER SEVEN

Understanding THE Neoliberal Paradigm OF Education Policy

The political, ethical, social, philosophical problem of our days is not to liberate the individual from the State and its institutions, but to liberate ourselves from the State and the type of individualisation linked to it.

FOUCAULT, 'THE SUBJECT AND POWER'

Power is exercised only over free subjects, and only insofar as they are free.

FOUCAULT, 'THE SUBJECT AND POWER'

INTRODUCTION

In his governmentality studies in the late 1970s, Foucault held a course at the Collège de France on the major forms of neoliberalism, examining the three theoretical schools of German ordoliberalism, the Austrian school characterised by Hayek, and American neoliberalism in the form of the Chicago School. Among Foucault's great insights in his work on governmentality was the critical link he observed in liberalism between the governance of the self and government of the state—understood as the exercise of political sovereignty over a territory and its population. He focused on government as a set of *practices* legitimated by specific rationalities and saw that these three schools of contemporary economic liberalism focused on the question of too much government—a permanent critique of the state that Foucault considers as a set of techniques for governing the self through the mar-

ket. Liberal modes of governing, Foucault tells us, are distinguished in general by the ways in which they utilise the capacities of free acting subjects and, consequently, modes of government differ according to the value and definition accorded the concept of freedom. These different *mentalities* of rule, thus, turn on whether freedom is seen as a natural attribute as with the philosophers of the Scottish Enlightenment, a product of rational choice making, or, as with Hayek, a civilizational artefact theorised as both negative and antinaturalist.

Foucault's account of German *ordoliberalism*, is a configuration based on the theoretical configuration of economics and law developed at the University of Freiberg by W. Eucken and F. Böhm that views the market contingently as developing historically within a judicial-legal framework. The economy is thus based on a concept of the Rule of Law, anchored in a notion of individual rights, property rights and contractual freedom that constitutes, in effect, an economic constitution. German neoliberal economists (Müller-Armack, Röpke, Rüstow) invented the term 'social market economy' which shared certain features with the Freiburg model of law and economics but also differed from it in terms of the 'ethics' of the market (as did Hayek in *The Constitution of Liberty*). This formulation of the 'social market economy' proved significant not only in terms of the postwar reconstruction of the (West) German economy but through Erhard, as Minister and Chancellor, became important as the basis of the EEC's and, later, EU's "social model."

The object in this chapter is to understand the neoliberal paradigm of education policy and our approach to this question is premised on Michel Foucault's lectures on the notion of governmentality and recent work undertaken by neo-Foucauldians. By neo-Foucauldian we refer mainly to the British and Australian neo-Foucauldians (for example, Gordon, 1991; Burchell, 1993; Rose, 1993), as distinct from both the French and U.S. neo-Foucauldians, and as exemplified in a recent edited collection called *Foucault and Political Reason* (Barry et al., 1996).¹ This approach centers on Foucault's concept of governmentality as a means of mapping the 'history of the present' and understands the rationality of government as both permitting and requiring the practice of freedom of its subjects. In other words, government in this sense only becomes possible at the point at which policing and administration stops; at the point at which the relations between government and self-government coincide and coalesce. As Barry and his colleagues argue, in this sense, the emphasis is centered upon 'the extent to which freedom has become, in our so-called free societies, a resource for, and not merely a hindrance to, government' (Barry et al., 1996, p. 8).

This perspective is taken for several reasons. First, a neo-Foucauldian approach to the sociology of governance avoids interpreting liberalism as an ideology, political philosophy, or an economic theory and reconfigures it as a form of governmen-

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tality with an emphasis on the question of *how* power is exercised. Second, such an approach makes central the notion of the *self-limiting state* which, in contrast to the administrative (or police) state, brings together in productive ways questions of ethics and technique, through the responsabilization of moral agents and the active reconstruction of the relation between government and self-government. Third, it proposes an investigation of neoliberalism as an intensification of an economy of moral regulation first developed by liberals, and not merely or primarily as a political reaction to big government or the so-called bureaucratic welfare state of the postwar Keynesian settlement. Indeed, some who adopt this approach see welfarism as an aberrant episode that has little to do with liberalism per se. Fourth, the approach enables an understanding of the distinctive features of neoliberalism. It understands neoliberalism in terms of its replacement of the natural and spontaneous order characteristic of Hayekian liberalism with '*artificially* arranged or contrived forms of the free, *entrepreneurial*, and *competitive* conduct of economic-rational individuals' (Burchell, 1996, p. 23). And, further, it understands neoliberalism through the development of '*a new relation between expertise and politics*,' especially in the realm of welfare, where an actuarial rationality and new forms of prudentialism manifest and constitute themselves discursively in the language of 'purchaser-provider,' audit, performance, and 'risk management.'

Foucault's overriding interest was not in 'knowledge as ideology,' as Marxists would have it, where bourgeois knowledge, say, modern liberal economics was seen as false knowledge or bad science. Nor was he interested in 'knowledge as theory' as classical liberalism has constructed disinterested knowledge, based on inherited distinctions from the Greeks, including Platonic epistemology and endorsed by the Kantian separation of schema/content that distinguishes the analytic enterprise. Rather Foucault examined *practices* of knowledge produced through the relations of power.² He examined how these practices, then, were used to augment and refine the efficacy and instrumentality of power in its exercise over both individuals and populations, and also in large measure helped to shape the constitution of subjectivity.

Fundamental to his governmentality studies was the understanding that Western society professed to be based on principles of liberty and the Rule of Law and said to derive the legitimation of the State from political philosophies that elucidated these very principles. Yet as a matter of historical fact, Western society employed technologies of power that operated on forms of disciplinary order or were based on biopolitical techniques that bypassed the law and its freedoms altogether. As Colin Gordon (2001, p. xxvi) puts it so starkly, Foucault embraced Nietzsche as the thinker 'who transforms Western philosophy by rejecting its founding disjunction of power and knowledge as myth.' By this he means that the rationalities

of Western politics, from the time of the Greeks, had incorporated techniques of power specific to Western practices of government, first, in the expert knowledges of the Greek tyrant and, second, in the concept of pastoral power that characterized ecclesiastical government.

It is in this vein that Foucault examines government as a practice and problematic that first emerges in the sixteenth century and is characterized by the insertion of economy into political practice. Foucault (2001b, p. 201) explores the problem of government as it ‘explodes in the sixteenth century’ after the collapse of feudalism and the establishment of new territorial States. Government emerges at this time as a general problem dispersed across quite different questions: Foucault mentions specifically the Stoic revival that focused on the government of oneself; the government of souls elaborated in Catholic and Protestant pastoral doctrine; the government of children and the problematic of pedagogy; and, last but not least, the government of the State by the prince. Through the reception of Machiavelli’s *The Prince* in the sixteenth century and its rediscovery in the nineteenth century, there emerges a literature that sought to replace the power of the prince with the art of government understood in terms of the government of the family, based on the central concept of ‘economy.’ The introduction of economy into political practice is for Foucault the essential issue in the establishment of the art of government. As he points out, the problem is still posed for Rousseau, in the mid-18th century, in the same terms—the government of the State is modelled on the management by the head of the family over his family, household and its assets.³

It is in the late sixteenth century, then, that the art of government receives its first formulation as ‘reason of state’ that emphasizes a specific rationality intrinsic to the nature of the state, based on principles no longer philosophical and transcendent, or theological and divine, but rather centred on the *problem of population*. This became a science of government conceived of outside the juridical framework of sovereignty characteristic of the feudal territory and firmly focused on the problem of population based on the modern concept which enabled ‘the creation of new orders of knowledge, new objects of intervention, new forms of subjectivity and. . . new state forms’ (Curtis, 2002, p. 2). It is this political-statistical concept of population that provided the means by which the government of the state came to involve individualization and totalization, and, thus, married Christian pastoral care with sovereign political authority. The new rationality of ‘reason of state’ focused on the couplet *population-wealth* as an object of rule, providing conditions for the emergence of political economy as a form of analysis. Foucault investigated the techniques of police science and a new bio-politics

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which tends to treat the 'population' as a mass of living and co-existing beings, which evidence biological traits and particular kinds of pathologies and which, in consequence, give rise to specific knowledges and techniques (Foucault 1989, p. 106, cited in Curtis, 2002).

As Foucault (2001b) comments in 'The Political Technology of Individuals,' the 'rise and development of our modern political rationality' as 'reason of state,' that is, as a specific rationality intrinsic to the state, is formulated through 'a new relation between politics as a practice and as knowledge' (p. 407), involving specific political knowledge or 'political arithmetic' (statistics); 'new relationships between politics and history,' such that political knowledge helped to strengthen the state and at the same time ushered in an era of politics based on 'an irreducible multiplicity of states struggling and competing in a limited history' (p. 409); and, finally, a new relationship between the individual and the state, where 'the individual becomes pertinent for the state insofar as he can do something for the strength of the state' (p. 409). In analysing the works of von Justi, Foucault infers that the true object of the police becomes, at the end of the eighteenth century, the population; or, in other words, the state has essentially to take care of men as a population. It wields its power over living beings, and its politics, therefore has to be a biopolitics (p. 416).

Foucault's lectures on governmentality were first delivered in a course he gave at the Collège de France, entitled *Sécurité, Territoire, Population*, during the 1977–78 academic year. While the essays 'Governmentality' and 'Questions of Method' were published in 1978 and 1980, respectively, and translated into English in the collection *The Foucault Effect: Studies in Governmentality* (Burchell et al., 1991), it is only in 2004 that the course itself has been transcribed from original tapes and published for the first time (Foucault, 2004a), along with the sequel *Naissance de la biopolitique: Cours au Collège de France, 1978–1979* (Foucault, 2004b), although both books remain to be translated.⁴ The governmentality literature in English, roughly speaking, dates from the 1991 collection and has now grown quite substantially (see, for example, Miller and Rose, 1990; Barry et al., 1996; Dean, 1999; Rose, 1999).⁵ As a number of scholars have pointed out Foucault relied on a group of researchers to help him in his endeavours: François Ewald, Pasquale Pasquino, Daniel Defert, Giovanna Procacci, Jacques Donzelot, on governmentality; François Ewald, Catherine Mevel, Éliane Allo, Nathanie Coppinger and Pasquale Pasquino, François Delaporte and Anne-Marie Moulin, on the birth of biopolitics. These researchers working with Foucault in the late 1970s constitute the first generation of governmentality studies scholars and many have gone on to publish significant works too numerous to list here. In the field of education as yet not a great deal has focused specifically on governmentality.⁶

Gordon (2001, p. xxiii) indicates three shifts that took place in Foucault's thinking: a shift from a focus on 'specialized practices and knowledges of the indi-

vidual person' 'to the exercise of political sovereignty exercised by the state over an entire population'; the study of government as a *practice* informed and enabled by a specific rationality or succession of different rationalities; and, the understanding that liberalism, by contrast with socialism, possessed a distinctive concept and rationale for the activity of governing. Liberalism and neoliberalism, then, for Foucault represented distinctive innovations in the history of governmental rationality. In his governmentality studies Foucault focused on the introduction of economy into the practice of politics and in a turn to the contemporary scene studied two examples: German liberalism during the period 1948–62, with an emphasis on the Ordoliberalism of the Freiburg School, and American neoliberalism of the Chicago School. The section on Foucault's reading of German neoliberalism and the emergence of the 'social market' has significance not only for understanding the historical development of an economic constitution and formulation of 'social policy' (and the role of education policy within it), but also for the development of the European social model, more generally, and the continued relevance for Third Way politics of the 'social market economy.'

First, this chapter sets the scene with a brief review of Foucault's notion of 'governmentality' and the critical Kantian tradition, second, it looks at three versions of neoliberalism, third it details the elements of neoliberal governmentality, fourth, it analyses Foucault's account of German neoliberalism and the birth of biopolitics; finally it ends with a brief look at a set of historical relationships between American neoliberalism, the Chicago School and human capital theory.

FOUCAULT, GOVERNMENTALITY AND THE CRITICAL (KANTIAN) TRADITION

Foucault (1991a) coins the term 'governmentality' (government rationality) to mean *mentalities of rule* and, historically, to signal the emergence of a distinctive mentality of rule that he alleged became the basis for modern liberal politics. He begins to examine the problematic of government by analysing the *series: security, population, government*, maintaining that there is an explosion of interest on the 'art of government' in the sixteenth century which is motivated by diverse questions: the government of oneself (personal conduct); the government of souls (pastoral doctrine); the government of children (problematic of pedagogy) (Foucault, 1991a).

He maintains that there was an explosion of interest in the 'art of government' in the in the late sixteenth and early seventeenth centuries that crystallises for the first time around the notion of 'reason of state,' understood in a positive sense:

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the state is governed according to rational principles which are intrinsic to it and which cannot be derived solely from natural or divine laws or the principles of wisdom and prudence; the state, like nature, has its own proper form of government, albeit of a different sort (Foucault, 1991a, p. 97).

By the term 'governmentality' Foucault means three things:

1. The ensemble formed by the institutions, procedures, analyses, and reflections; the calculations and tactics that allow the exercise of this very specific, albeit complex, form of power, which has as its principal form of knowledge political economy and as its essential technical means apparatuses of security.
2. The tendency which, over a long period and throughout the West, has steadily led toward the pre-eminence of this type of power that may be called government over all other forms (sovereignty, discipline, etc.) resulting, on the one hand, in the formation of a whole series of specific governmental apparatuses, and, on the other, in the development of a whole complex of *savoirs*.
3. The process, or rather the result of the process, through which the state of justice of the Middle Ages, transformed into the administrative state during the fifteenth and sixteenth centuries, gradually became 'governmentalized.' (Foucault, 1991a, pp. 102–3)

In elaborating these themes Foucault emphasizes not only *pluralized* forms of government but also its *complexity* and its *techniques*. Our modernity, he says, is characterized by the governmentalization of the state. He is interested in the question of *how* power is exercised. In outlining the three aspects of governmentality he is implicitly providing a critique of the contemporary tendencies to overvalue the problem of the state and to reduce it to a unity or singularity based on a certain functionality.

At the intersection of two competing tendencies—state centralization and a logic of dispersion—the problematic of government can be located; a problematic that poses questions of the *how* of government and seeks 'to articulate a kind of rationality which was intrinsic to the art of government without subordinating it to the problematic of the prince and of his relationship to the principality of which he is lord and master' (Foucault, 1991a, p. 89).

In charting this establishment of the art of government, Foucault thus identifies the introduction of 'economy'—that is, 'the correct manner of managing goods and wealth within the family'—into political practice as the essential aspect of the establishment of the art of government in the sixteenth century (see Foucault, 1991a, p. 92). This usage of political economy remained stable into the eighteenth

century; it signified ‘wise government of the family for the common welfare of all,’ although the word no longer stood for a form of government but rather designated a field of intervention (p. 92).

In line with this analysis, Foucault, defines governmentality in terms of a specific form of government power based upon the ‘science’ of political economy (see Redman, 1997), which, over a long period, he maintains has transformed the administrative state into one fully governmentalized, and led to both the formation of governmental apparatuses and knowledges or *savoirs*. The rejection of state-centred analyses—has emerged from the governmentality literature as it has become a more explicit problematic.

By understanding mentalities of rule in the genealogical sense in which it was intended (see O’Malley, 1998), we are less likely to develop a highly rationalised account of neoliberalism based upon a set of abstract characteristics producing ‘ideal knowledges’—a kind of rationalisation trap that Boris Frankel (1997) argues that the Anglo-Foucauldians have fallen into in marking out the second order construct of ‘advanced liberalism.’ We turn to Foucault to indicate how he fits into the *critical* tradition of Kant with its accent on the history of systems of thought⁷ and to indicate briefly why we think this approach is important to understanding both the neoliberal paradigm of education and social policy (Peters, 2001), and the new forms of prudentialism it has encouraged, along side the ‘responsibilization of the self’—turning individuals into moral agents and the promotion of new relations between government and self-government, as a basis of an individualised ‘social insurance’ and risk management programme.

One thing that follows from defining Foucault as part of the critical tradition is that we can get some purchase on his theoretical innovations: his impulse to historicize questions of ontology and subjectivity (against the abstract category of the Cartesian-Kantian subject) by inserting them into systems or structures of thought/discourse. Thus governmentality is developed and played out against these tendencies.

Burchell indicates that Foucault’s account of classical liberalism occupies a position in relation to a set of discourses about government, which has its beginnings both in the ‘reason of state’ (*ragione di stato*) literature of the later-Italian Renaissance, and in the emergence of the ‘science of police’ (*polizeiwissenschaft*) in seventeenth-century Germany (Burchell, 1997, p. 375). He goes on to argue:

It is here, Foucault argues, that the modern art of governmental reasoning emerges, out of a series of doctrines which insist that the exercise of state authority has its own distinctive form of internal political reason (reason of state), and that this reason can be turned into a kind of science (police) (Burchell, 1997, p. 375).

Burchell indicates the way in which liberalism on Foucault’s accounts stands in an ambiguous relation to this literature and tradition; it is both heir and critique.

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Here the notion of ‘economy’ enters into political science in two ways: it speaks of a form government, informed by the precepts of political economy, on the one hand, and, on the other, of a government concerned to economise its own efforts and costs, where government has become its own problem. It is in the latter sense, established as a distinctively modern form or style of government by Adam Smith that we can speak properly of the *critique of state reason*.

From the mid 1970s through to the early 1980s Foucault shifts his understanding of power relations, under the influence of an interpretation of Friedrich Nietzsche’s will-to-power (and, perhaps also Wittgenstein’s notion of language-games)⁸, to view power relations in terms of *strategic games* between liberties. As he says:

It seems to me we must distinguish between power relations understood as strategic games between liberties—in which some try to control the conduct of others, who in turn try to avoid allowing their conduct to be controlled or try to control the conduct of others—and the states of domination that people ordinarily call ‘power.’ And between the two, between games of power and states of domination, you have technologies of government . . . (Foucault, 1997, p. 300).

Foucault, in *historized* Kantian terms, speaks of governmentality as implying the relationship of the self to itself (and to others), referring explicitly to the problem of *ethical self-constitution and regulation*. Governmentality is thus defined as the set of practices and strategies that individuals in their freedom use in controlling or governing themselves and others. Such an analytics of power bypasses the subject of law, or the legal concept of the subject, that is demanded by an analysis of power based upon the institution of political society. Foucault’s point is that if you can conceive of the subject only as a subject of law, that is, as one that either has rights or not, then it is difficult to bring out the freedom of the subject and ethical self-constitution in games of freedom. In Foucault’s account the relationship of the self to the self is a possible point of resistance to political power, and it is the historic role of critical philosophy to call into question all forms of domination and (deriving from the Socratic injunction) to ‘Make freedom your foundation, through mastery of yourself.’ ‘The task according to Foucault,’ write the editors of *Foucault and Political Reason* (Barry et al., 1996, p. 8), ‘was not to denounce the idea of liberty as a fiction, but to analyse the conditions within which the practice of freedom has been possible.’

On this basis we accept the theoretical promise of the problematic made explicit by the so-called Anglo-Foucauldians. Let us quickly summarise: first, a neo-Foucauldian approach to the sociology of governance avoids interpreting liberalism as an ideology, political philosophy or an economic theory to reconfigure it as a form of governmentality with an emphasis on the question of *how* power is exercised.

Second, such an approach makes central the notion of the self-limiting state, which in contrast to the administrative (or ‘police’) state, brings together in a productive way questions of ethics and technique, through the ‘responsibilization’ of moral agents and the active reconstruction of the relation between government and self-government. Third, it proposes an investigation of neoliberalism as an intensification of an economy of moral regulation first developed by liberals and not merely or primarily as a political reaction to ‘big government’ or the so-called bureaucratic welfare state of the postwar Keynesian settlement. Indeed, as Andrew Barry and his fellow editors (1996) point out, some who adopt this approach the era of postwar welfarism as an aberrant episode that has little to do with liberalism *per se*. Fourth, the approach enables an understanding of the distinctive features of neoliberalism. It understands neoliberalism in terms of its replacement of the natural and spontaneous order characteristic of Hayekian liberalism with ‘artificially arranged or contrived forms of the free, *entrepreneurial* and *competitive* conduct of economic-rational individuals’ (Burchell, 1996, p. 23). And, further, it understands neoliberalism through the development of ‘*a new relation between expertise and politics*’ (ibid.), especially in the realm of welfare, where an actuarial rationality and new forms of prudentialism manifest and constitute themselves discursively in the language of ‘purchaser-provider,’ audit, performance, and ‘risk management’ (O’Malley, 1996).⁹

THREE VERSIONS OF NEOLIBERALISM

Colin Gordon (1993) traces three versions of neoliberalism that were given some attention by Foucault in his course of lectures at the Collège de France during 1979, not coincidentally, also the date of the election of Margaret Thatcher to power in Britain. Foucault mentioned the versions of neoliberalism that took root in postwar West Germany (*Ordoliberalen*) under the government of Helmut Schmidt, the United States (where economics was dominated by the Chicago School) and Valéry Giscard d’Estaing’s France. Gordon suggests that three ideas come together in this lecture course:

First, Foucault shifts the focus of his own work from specialized practices and knowledges of the individual person, such as psychiatry, medicine, and punishment, to the exercise of political sovereignty by the state over an entire population. Second, he addresses government itself as a practice—or succession of practices—animated, justified, and enabled by a specific rationality (or, rather, by a succession of different rationalities). In the context of modern Europe, this leads him to particularly attentive analyses of liberalism and neoliberalism. Lastly, he advises his audience that socialism lacks a distinctive concept and rationale for the

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activity of governing, a fact that places it at a damaging disadvantage in confronting its contemporary adversary (Gordon, 2001, p. xxiii).

These new forms of governance identified by Foucault do not represent an innocent return to liberalism's main articles of faith. In other words, the historical revival of liberalism in the present is not simply an exercise in nostalgia that represents a simple and naive return to past principles. There are major differences between past and present forms of liberalism. Neoliberalism, in other words, displays an innovative interpretative strategy in restyling basic principles to accommodate new exigencies. What they have in common, as Burchell (1993, p. 270) claims, 'is a question concerning the extent to which competitive, optimizing market relations and behaviour can serve as a principle not only for limiting governmental intervention, but also for rationalizing government itself.'

Gordon attributes to *Ordoliberalen* the capacity to generate new meanings to the market considered as a form of governmentality. He emphasizes, for instance against Hayek, that under this form of neoliberal governmentality the market is no longer thought of as a natural or spontaneous institution. Rather the market is seen as an evolving social construct that must be protected and that requires, therefore, a positive institutional and juridical framework for the game of enterprise to function fully. As Burchell clearly indicates, forms of neoliberalism differ from earlier forms of liberalism:

[T]hey do not regard the market as an already existing quasi-natural reality situated in a kind of economic reserve in a space marked off, secured and supervised by the State. Rather, the market exists, and can only exist, under certain political, legal and institutional conditions that must be actively constructed by government (1993, pp. 270–71).

For early liberalism the limitation of government was tied to the rationality of the free conduct of governed individuals themselves. For neoliberalism, by contrast, 'the rational principle for regulating and limiting governmental activity must be determined by reference to *artificially* arranged or contrived forms of the free, *entrepreneurial* and *competitive* conduct of economic-rational individuals' (Burchell, 1993, 271). Burchell depicts neoliberalism, following the work of Donzelot, as promoting 'an *autonomization* of society through the invention and proliferation of new quasieconomic models of action for the independent conduct of its activities.' He concludes by suggesting that 'the generalization of an 'enterprise form' to *all* forms of conduct . . . constitutes the essential characteristic of this style of government: the promotion of an enterprise culture' (Burchell, 1993, pp. 274–75).

As Gordon (1991, p. 42) comments, the major problem for *Ordoliberalen* 'is not the anti-social effects of the economic market, but the anti-competitive effects of society.' All three versions of neoliberalism to which Gordon refers are, to a greater

or lesser extent, committed to *institutionalizing the game of enterprise as a generalized principle for the organization of society as a whole*. In all versions this feature is seen to take the form of a kind of individualism that involves fashioning one's life as the enterprise of oneself: the individual becomes, as Gordon notes, 'the entrepreneur of himself or herself' (p. 44). This notion is traced in terms of the French version's emphasis on the care of the self, especially in relation to the right to permanent retraining. It also surfaces in the United States in the human capital interpretation of work, by which work is construed in terms of two components, a genetic endowment and an acquired set of aptitudes that are produced as a result of private investment in education and the like.

Gordon views the American version of neoliberalism based on a version of human capital the most radical because it proposes 'a global redescription of the social as a form of the economic.' His interpretation is worth quoting at some length:

This operation works by a progressive enlargement of the territory of economic theory by a series of redefinitions of its object, starting out from the neo-classical formula that economics concerns the study of all behaviors involving the allocation of scarce resources to alternative ends. Now it is proposed that economics concerns all purposive conduct entailing strategic choice between alternative paths, means and instruments; or yet more broadly, *all rational conduct* (including rational thought, as a variety of rational conduct); or again, finally, all conduct, rational or irrational, which responds to its environment in a non-random fashion or 'recognizes reality' (Gordon, 1991, p. 43).

The progressive enlargement is based on the behavioral postulate known as *homo economicus*: the modern rediscovery of the main tenant of classical liberal economics, that people should be treated as rational utility maximisers in all of their behavior. In other words, individuals are modeled as seeking to further their own interests (defined in terms of measured net wealth positions) in politics as in other aspects of behaviour.

On this basis, neoliberal governments have argued for a minimal state that has been confined to the determination of individual rights construed in consumerist terms and for the maximum exposure of all providers to competition or contestability as a means of minimizing monopoly power and maximizing consumer influence on the quality and type of services provided. Neoliberalism depends on the development of a set of practices of self-government whereby the individual learns to refashion himself or herself as the entrepreneur of oneself—the 'enterprising self'—and so learns the fiduciary art of restyling the self through various forms of personal investment and insurance in a range of welfare fields—health, education, retraining—that are necessary both as a safeguard against risk but also as the pre-conditions for participation in the competitive society.

ELEMENTS OF NEOLIBERAL GOVERNMENTALITY

First this section summarises the main elements of neoliberal governmentality in terms of Figure 1 below, before elaborating the essentials of the neoliberal paradigm of education policy by focusing on human capital theory—a highly influential form of American neoliberalism originated by Theodore Schultz and systematically developed by Gary Becker—and the notion of the entrepreneurial self. This way we can begin to see how neoliberalism as a form of governance applies to the area of education policy and also how central education policy has become to neoliberalism.

Figure 1. Elements of Neoliberal Governmentality

1. **Classical liberalism as a critique of State reason.** A political doctrine concerning the self-limiting State where the limits of government are related to the limits of State reason, i.e., its power to know. This constitutes a permanent critique of the activity of rule and government.
2. **Natural versus contrived forms of the market.** Hayek's notion of natural laws based on spontaneously ordered institutions in the physical (crystals, galaxies) and social (morality, language, market) worlds has been replaced with an emphasis on the market as an artefact or culturally derived form and (growing out of the callaxy approach) a *constitutional* perspective that focuses on the judicio-legal rules governing the framework within the game of enterprise is played.
3. **The Politics-as-exchange innovation of Public Choice theory ('the marketisation of the State').** The extension of Hayek's spontaneous order conception (callactics) of the institution of the market beyond simple exchange to complex exchange and finally to *all processes of voluntary agreement* among persons. This has been described as the 'economic imperialism' of the Chicago School, i.e., where economic models are imported to explain non-market behaviour.
4. **The relation between government and self-government.** Liberalism as a doctrine which positively requires that individuals be free in order to govern. Government is conceived as the community of free, autonomous, self-regulating individuals with an emphasis on the 'responsibilisation' of individuals as moral agents. It also involves the neoliberal revival of *homo economicus*, based on assumptions of individuality, rationality and self-interest, as an all-embracing redescription of the social as a form of the economic. Finally, this element highlights all forms of *capitalization of the self*, including human capital in its statist, corporatist and private or individual investment forms.
5. **A new relation between government and management.** The rise of the new managerialism, 'New Public Management' which implies a shift from *policy* and *administration* to *management*. It also involves the emulation of private sector management styles, an emphasis on 'freedom to manage' and the promotion of 'self-managing' (i.e., quasi-autonomous) individuals and entities, giving rise to the privatisation and individualisation of 'risk management' and the development of new forms of prudentialism.
6. **A 'degovernmentalisation' of the State (considered as a positive technique of govern-**

- ment). Government ‘through’ and by the market, including promotion of consumer-driven forms of social provision (health, education, welfare), ‘contracting out’ and privatisation.
7. **The promotion of a new relationship between government and knowledge.** ‘Government at a distance’ developed through relations of forms of expertise (expert systems) and politics, especially the development of new forms of social accounting embodying an actuarial rationality. Also the development of referendums and intensive opinion polling made possible through the new information and computing technologies.
 8. **An economic theory of democracy (‘the marketisation of democracy’).** There is an emerging structural parallel between economic and political systems—political parties have become entrepreneurs in a vote-seeking political marketplace where professional media consultants use policies to sell candidates as image products and voters have become passive individual consumers. In short, democracy has become commodified at the cost of the project of political liberalism and the state has become subordinated to the market.
 9. **The replacement of ‘community’ for ‘the social.’** The increasing decentralisation, ‘devolution’ and delegation of power/authority/ responsibility from the centre to the region, the local institution, the ‘community.’ The emergence of the ‘shadow state’ and the encouragement of the informal voluntary sector (and an autonomous civil society) as a source of welfare and ‘social capital.’
 10. **Cultural reconstruction as deliberate policy goal (‘the marketisation of ‘the social’’).** The shift away from the welfare state and the so-called culture of dependency towards the development of an ‘enterprise culture’ involving the privatisation of the public sector and the development of quasimarkets, together with the marketisation of education and health. The development of a curriculum of competition and enterprise as the basis for the enterprise culture.
 11. **Low ecological consciousness.** The advent of ‘green capitalism’ and ‘green consumerism’ based on a linear as opposed to ecological modernisation epitomised in ‘no limits to growth’ and market solutions to ecological problems (Giddens).
 12. **Promotion of a neoliberal paradigm of globalisation.** The political promotion by governments and international policy agencies (IMF, World Bank, WTO) of world economic integration based on ‘free’ trade and a free or self-regulating financial international system with no capital controls.

We do not have the space to discuss in any detail the topic of neoliberal governmentality but rather will restrict ourselves here to exploring the element referred to as *the relation between government and self-government*, although the analysis which follows explicitly draws upon other elements (especially 5 to 10) and, implicitly, draws upon Foucault’s philosophical understanding that defines the driving ethos of advanced forms of liberalism as a *critique of State reason*.

GERMAN NEOLIBERALISM AND THE BIRTH OF BIOPOLITICS

Naissance de la biopolitique (Foucault, 2004b) consists of thirteen lectures delivered by Foucault at the Collège de France (10 January–4 April 1979). It is helpful to see this course in the series of thirteen courses he gave from 1970 to 1984. The first five courses reflected his early work on knowledge in the human sciences, concerning punishment, penal and psychiatric institutions.¹⁰ The remaining eight courses focused squarely on governmentality studies, with a clear emphasis also on the problematic (and hermeneutics) of the subject and the relation between subjectivity and truth.¹¹ Even from this list of courses it becomes readily apparent that the question of government concerns Foucault for the last decade of his life and that for his governmentality studies, politics were inseparable in its modern forms both from biology—biopower and the government of the living—and truth and subjectivity. It is important to note that these same concerns in one form or another enter into Foucault's formulations in *Naissance de la biopolitique*.¹²

In the first lecture, having dealt with the question of method and reviewed the preceding year, Foucault signals his intention to pursue the question of how the introduction of political economy served as an internal (and defining) principle limiting the practice of liberal government. In the second lecture, he considers French radical jurisprudence and English utilitarianism as emerging solutions to the problem of the limitation of the exercise of public power. He begins to specify the novel features of the art of liberal government as consisting in three related aspects: the constitution of the market as a form of truth and not simply a domain of justice; the problem of the limitation of the exercise of public power; and the problem of equilibrium in the internal competition of European states. With Adam Smith and the Physiocrats he charts the birth of a new European model based on the principle of the 'freedom of the market' that surfaced with discussion of international trade, rights of the sea, and perpetual peace in the 18th century. This section focuses more heavily on lectures 4–8 in the course because they concern German neoliberalism and may be, therefore, more of interest to my German colleagues. They also contain the bulk of the references to Hayek. Lectures 9 and 10 focus on American neoliberalism, and lectures 11 and 12 investigate the model and history of *homo economicus* and the notion of civil society.¹³

Foucault begins the fourth lecture with a discussion of 'fear of the State' or State phobia which had surfaced in the 1920s with the calculation debate of Mises and anti-Socialist sentiments of the Austrian School and which came to a head in Germany after the World War II with the experience of National Socialism, post-war reconstruction and the development of the Keynesian interventionist welfare state in Britain and Roosevelt's New Deal in the US. (Foucault also mentions the

opposition between Keynes at Cambridge and Hayek at the London School of Economics. Hayek was recruited by the Director, Lionel Robbins in the early 1930s). In the context of postwar reconstruction Foucault details the Marshall Plan, adopted in 1948, and the Scientific Council set up in 1947 in Germany with the function, in the Anglo-American zone, of undertaking the reconstruction and administration of the economy. The Council comprised representatives of the Freiburg School (W. Eucken, F. Böhm, A. Müller-Armack, L. Miksch, A. Lampe, O. Veit and others) as well as members of the Christian Socialists. Much of his analysis of postwar Germany in these early years focuses on the role of Ludwig Erhard (1897–1977).

Erhard drafts the memorandum of war financing and debt consolidation and later as a member of the Bavarian Cabinet becomes Minister of Economics responsible for currency reform. As deputy of the Christian Democrats he is instrumental in introducing the politico-economic concept of the ‘social market economy’ and becomes Minister of Economics in the first Adenauer government in 1949. He later becomes a council member of the Coal and Steel Community, Governor of the World Bank, appoints Müller-Armack as Secretary of State at the Economics Ministry in Bonn from 1958 to 1963, plays a strong role in the EEC, and eventually is elected as the Federal Chancellor of the CDU in 1963 and remains so until 1967.¹⁴ Foucault’s emphasis is on the concept of the ‘social market economy’ which Erhard established in 1948, fundamentally changing the West German economy, and with it the whole of postwar society. The social market economy was coined by the national economist Müller-Armack to define an economic system based on the free market principles, aimed at guaranteeing economic efficiency and social justice with a high degree of individual freedom. 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 competition and ensured social equity.

In the fifth lecture Foucault begins to outline the German programme of neoliberalism by reference to the theoreticians, Eucken, Böhm, Müller-Armack and Hayek. Eucken was cofounder of the *ordoliberalen* Freiburg School with the jurists, Böhm and Hans Großmann-Doerth, who were united in their concern for constitutional foundations of a free economy and society, an approach that combined law and economics. Foucault notes that Eucken knew and met with Husserl and a footnote (fn 2, p. 125) in the text refers to a paper that discusses the phenomenological roots of German ordoliberalism. They were concerned to provide an institutional framework for the competitive order based on transparent rules for the efficient functioning of a private market economy embodied in the concept of ‘complete com-

petition,' which involved State monitoring of monopolies and antitrust laws. Other aspects of the *ordoliberalen* framework included monetary stability, open markets, private property and ownership of the means of production, and freedom of contract between autonomous economic agents, including liability for one's commitments and actions.

The ordoliberal Freiburg School, as Vanberg (2004, p. 2) usefully notes, while certainly part of the foundations on which the social market economy was created and generally subsumed under the rubric of *German neoliberalism*, also exhibited differences with neoliberal economists such as Müller-Armack, Röpke and Rüstow.

For the Freiburg School the market order, as a nondiscriminating, *privilege-free* [sic] order of competition, is in and by itself an *ethical* order. As far as the need for 'social insurance' is concerned, the Freiburg ordoliberals recognized that the competitive market order can be, and should be, combined with a system of minimal income guarantees for those who are, temporarily or permanently, unable to earn a living by providing saleable services in the market. They insisted, though, that such social insurance provisions must be of a nondiscriminating, privilege-free nature, and must not be provided in ways—e.g., in the form of subsidies or other privileges granted to particular industries—that corrupt the fundamental ethical principle of the market order, namely its privilege-free nature. Müller-Armack, by contrast, regards the market order as an economically most efficient order, but not as one that has inherent ethical qualities. It is a 'technical instrument' that can be used by society to produce wealth, but it does not make itself for a 'good' society. It has to be made 'ethical' by supplementary policies, in particular 'social' policies. The important point is that in Müller-Armack's case, these supplementary 'social provisions' that are supposed to make the market economy—beyond its economic efficiency—ethically appealing are not constrained, as they are for the Freiburg ordoliberals, by the proviso that they must not be in conflict with the privilege-free nature of the rules of the game of the market. Vanberg (2004) argues that the constitutional approach of the ordoliberals distanced itself from *laissez-faire* economics and is closely modelled by James Buchanan's constitutional economics. Vanberg also notes differences that occurred in discussions at the Mont Pelerin Society between Eucken and Mises. While Eucken knew Hayek since the early 1920s, Vanberg argues that ordoliberalism was a German invention that was not influenced by Anglo-Saxon influences or the Austrian School.¹⁵

Foucault proceeds to discuss obstacles to political liberalism that had beset Germany since the 19th century, including economic protectionism, the socialism of the Bismarckian State, the role of WWI and economic reconstruction, a type of Keynesian rigidity, and the political economy of National Socialism. The neoliberal critique of National Socialism and State phobia is the starting point for an

extension of this critique to both the New Deal in the US and Beveridge's Welfare State in the UK, that is, to the growth and development of the power of the State, and to standardization and massification as infringements of individual liberty defined through competition. Foucault claims that German neoliberalism enjoyed a novel relationship with classical liberalism through its constitutional theory of pure competition.

Lectures 4, 5 and 6 are devoted exclusively to 'le néolibéralisme allemande' and Foucault in the last of these three lectures is concerned to discover what distinguishes neoliberalism from classical liberalism. He responds by arguing that the problem of neoliberalism is knowledge (*savoir*) of how to exercise global political power based on the principles of a market economy and he suggests that a major transformation occurred with the association between the principle of the market economy and the political principle of laissez-faire that presented itself through a theory of pure competition. Pure competition emerged as the formal structure of property that neoliberals saw as means for regulating the economy through the price mechanism.

He traces problems of government in this period in relation to monopolies and political society. He also examines the emergence in postwar Germany of what he calls 'politique de société' or *Gesellschaftspolitik*, which we translate as 'social policy,' and the ordoliberal critique of the welfare state (l'économie de bien-être), where society is modelled on the enterprise society, and enterprise society and the good society come to be seen as one and the same.

The second aspect of social policy according to these German neoliberal thinkers is the problem of right in a society modelled on economic competition of the market which Foucault explores in lecture 8 by reference to a text by Louis Rougier and the idea of a legal-economic order, the question of legal intervention in the economy, and the development of the demand for a judiciary. The concept of order (*Ordnung*) is the central concept in the Freiburg School as it is at the basis of an understanding of *economic constitution*, or the *rules of the game*, upon which economies or economic systems are based. Eucken insisted that 'all economic activity necessarily takes place within an historically evolved framework of rules and institutions' and that one improves the economy by improving the economic constitution or the institutional framework within which economic activity takes place (Vanberg, 2004, p. 6). This was, in effect, the attempt to create conditions 'under which the 'invisible hand' that Adam Smith had described can be expected to do its work' (Vanberg, 2004, p. 8). The major historical step for German neoliberals was the shift from feudalism to a civil law society where people enjoyed the same rights and status under the law and thus, had the *freedom to contract* with one another. This, in essence, represented their conception of free market economy, which was based on

the natural order of free competition where all players met as equals and voluntary exchange and contract enabled coordination of economic activity.

GERMAN NEOLIBERALISM AND THE BIRTH OF THE EUROPEAN SOCIAL MODEL

Foucault's prescient analysis in 1979 of German neoliberalism focused on the Freiburg School of ordoliberalism as an innovation in the rationality of government by devising a conception of the market order based squarely on the Rule of Law. This conception, and its related versions in both German neoliberalism (after Müller-Armack and others) and Austrian economics going back to Mises and Hayek, was responsible for a form of constitutional economics that invented the 'social market economic' and shaped *Gesellschaftspolitik* or 'social policy,' as an ethical exception to the rules of the market game. The challenge for scholars, especially in the German context or those with the language skills that permit them to analyse formations of German 'social policy' is to provide the genealogical investigation of the change of values and shifting meanings underlying the the development of educational policy as part of 'the social,' and later its shift to being at the centre of economic policy, especially in the decade of 1980s and 1990s when Third Way and EU policies constitute education policy as an aspect of the 'knowledge economy.'

Foucault's analysis, formulated in the years 1978–79, and then developed in a series of subsequent themes as 'the government of the living,' 'subjectivity and truth,' and 'the government of self and others,' took up an account of the practices neoliberal governmentality as a set of novel practices introduced as a form of economic liberalism, that operated on the premise of of a critique of 'too much government,' what Foucault describes as a permanent critique of State reason. Foucault would not have been unaware of the rise of a particular form of politics referred to as the New Right, which under both Thatcher and Reagan, combined elements of neoliberalism and neoconservatism in a contradictory formulation wielded together through 'great' statesmanship.

In this new neoliberal climate established at a popular level in an Anglo-American model that attained global ambitions under various guises through the old Bretton Woods institutions, the IMF and World Bank, and other formations like the 'Washington consensus,' the notion of the 'social market economy,' originally developed through German neoliberalism, offered some new hope as the basis of Third Way economic policies and, more generally, as the basis for the European social model (see, e.g., Joerges & Rödl, 2004).

In the United Kingdom, Chancellor Gordon Brown's foray into the discussion of the role and limits of the market in the context of globalisation has helped launch a new debate. In the BBC4 series *The Commanding Heights: The Battle for the World Economy* (2003) based on the book by Daniel Yergin and Joseph Stanislaw, Gordon Brown, who heads up the key policy-making IMF committee, told Yergin:

The problem for the Left in the past was that they equated the public interest with public ownership and public regulation, and therefore they assumed that markets were not in the public interest . . . [Markets] provide opportunities for prosperity, but equally they're not automatically equated with the public interest.

He went on to say:

The idea that markets must work in the public interest, the idea that governments have a responsibility for the level of employment and prosperity in the economy, the idea that governments must intervene on occasions—these are increasingly the ideas of our time.

In an age of consumerism, a fundamental question is to what extent, if at all, the 'citizen-consumer'—a market-democracy hybrid of the subject—can shape privately funded public services in ways other than through their acts of consumption and whether acts of consumption can genuinely enhance the *social* dimensions of the market (see Peters, 2005c).

AMERICAN NEOLIBERALISM, THE CHICAGO SCHOOL¹⁶ AND HUMAN CAPITAL THEORY

The 'Chicago School' is, perhaps, the most influential form of American neoliberalism. As the approach of the Department of Economics at the University of Chicago, the 'Chicago School' is associated with a strong 'free market' libertarianism, yet over its hundred year development it has passed through different phases. It was only in its later post-WWII phases—first under Milton Friedman, and later, Gary Becker and others—that the Chicago School developed into an 'imperialistic' form where economics was deemed to provide a *unified* approach to the study of human behaviour and neoclassical economics was applied to social issues, including education.

The University of Chicago was founded by the oil magnate John D. Rockefeller in 1892 and in this early period there was little to distinguish the Department as a school. It really began to take on a distinctiveness under the influence of Frank H. Knight and Jacob Viner, who were theoreticians (in the Austrian and Marshallian senses) rather than empiricists, like most other economists of the time. We can refer to this phase, after its establishment period, as the First Chicago School (1920–1945). The school at this time included the mathematically oriented econ-

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omists Oskar Lange, Henry Schultz and Paul H. Douglas who together followed the Lausanne School. At this stage the School differed considerably from what it was to become in the later periods. In particular, the first Chicago School set itself against the prevailing positivist methodology in economics and, under Knight, argued for a confined role for economic analysis. The School during this period was in favour of interventionist policies and entertained strong doubts about the efficiency claims of *laissez-faire* policies. Yet, nevertheless the School held firmly to the major tenets of neoclassical theory, rejecting alternative paradigms, particularly the Keynesian revolution in macroeconomics. During the 1940s the department lost Schultz, and the other leading economists (Viner, Lange and Douglas) left for other universities or for political life.

The postwar years 1945–1960 saw an injection of new blood including Jacob Marschak, the development economists, Gregg Lewis and Bert F. Hoselitz, and the agricultural economists, Theodore W. Schultz, D. Gale Johnson and Walter Nicholls. It was Marschak who in the late 1960s and thereafter introduced the theory of information into economics through Shanon's formalisation of information and theory of communication. Schultz was important in basing an account of development on a theory of human capital during the early 1960s, emphasizing that investment in education led to economic growth. It was not until the early 1960s that the department began to develop into a second School under the leadership of George J. Stigler and Milton Friedman, both avowed Marshallians. The second School stood committed to neoclassical economics and strongly against the concept of market failures. Indeed, in this period Chicago was the only department that rejected Keynesianism.

It was this School that began a renaissance of neoclassical economics, extending the paradigm in search theory (Stigler), human capital theory (Gary Becker) and transaction cost theory (Ronald H. Coase). It was this School that was largely responsible for the criticisms of its 'imperialist' ambitions and, in particular, 'the application of economic reasoning to areas traditionally considered the prerogative of other fields such as political science, legal theory, history and sociology.' Neoclassical price theory was extended into business and finance. Stigler, Coase and Buchanan, among others, extended neoclassical economics into political science and institutional theory. Robert W. Fogel and Douglas C. North proposed a neo-classical reading of economic history, while Richard Posner and William M. Landes of the Chicago Law School extended neoclassical economics into legal theory. Finally, Gary Becker and Jacob Mincer adapted neoclassical economics to sociological issues, giving education, family, and marriage an economic interpretation.

The second School, developed under Friedman during the 1960s and 1970s, became the strongest advocate of monetarism in macroeconomics and perhaps the

fiercest antagonist of Keynesian economics, finding in monetarism the theoretical and empirical means to question and roll back interventionist policies. Monetarism has since given way to a more mathematically rigorous so-called New Classical economics in the 1970s (Robert E. Lucas). The third Chicago School (1970s to today), together with monetarism (1960s) and new classical macroeconomics (1970s), we can add to the New Institutionalism, New Economic History and Law-and-Economics movements.¹⁷ The New Institutionalism refers

to the collection of schools of thought that seek to explain political, historical, economic and social institutions such as government, law, markets, firms, social conventions, the family, etc. in terms of Neoclassical economic theory. New Institutional schools can be thought of as the outcome of the Chicago School's 'economic imperialism'—i.e. using Neoclassical economics to explain areas of human society normally considered outside them (<http://cepa.newschool.edu/het/schools/newinst.htm>).

A number of strands of the Chicago schools have been important in education reform, from Friedman's emphasis on 'freedom to choose' and his strong advocacy of vouchers, to the public choice theory of Gordon Tullock and James Buchanan, principal-agency theory and transaction cost analysis—all of which have been important as the theoretical underpinning to what many have called New Public Administration (or new managerialism) and its extension into education policy through the doctrine of self-management (see Peters in De Alba et al., 2000).

The Chicago Schools' contribution to the economics of information and knowledge has been drawn upon as a legitimation for the restructuring of science and higher education policy (insofar as the latter concerns the production of research knowledge). The economics of information was pioneered by Jacob Marschak (and coworkers Miyasawa, and Radner), and George Stigler who won the Nobel Memorial Prize for his seminal work in the 'economic theory of information,' whereas Fritz Machlup's (1962) groundwork and development of the economics of the production and distribution of knowledge became the early blueprint for the 'postindustrial society,' the 'service economy' and, most recently, the 'knowledge economy' (see Peters, 2001c).

Of greatest importance, perhaps, for education reform has been human capital theory developed by Schultz and Becker. Becker went to the University of Chicago for graduate work, meeting Friedman in 1951, and coming under the influence of Gregg Lewis (his use of economic theory to analyse labor markets) and Schultz's pioneering research on human capital. He also was strongly influenced by Aaron Director's applications of economics to antitrust problems, and industrial organization more generally, and L. J. Savage's research on subjective probability and the foundation of statistics. His PhD thesis was published as his first major book

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The Economic Approach to Human Behaviour in 1957 (Becker, 1976) in which he laid out the essentials of his approach as follows:

The heart of my argument is that human behavior is not compartmentalized, sometimes based on maximizing, sometimes not, sometimes motivated by stable preferences, sometimes by volatile ones, sometimes resulting in optimal accumulation of information, sometimes not. Rather, all human behavior can be viewed as involving participants who maximize their utility from a stable set of preferences and accumulate an optimal amount of information and other inputs in a variety of markets. If this argument is correct, the economic approach provides a united framework for understanding behavior that has long been sought by and eluded Bentham, Comte, Marx, and others (Becker, 1976, p. 14).

As he explains it in his Nobel Prize autobiography:

The book contains the first systematic effort to use economic theory to analyze the effects of prejudice on the earnings, employment and occupations of minorities. It started me down the path of applying economics to social issues, a path that I have continued to follow (Becker, 1992).

The Economic Approach to Human Behaviour pursued a range of topics, including: competition and democracy, crime and punishment, the allocation of time in the household, irrational behavior, and economic interpretations of fertility, marriage and social interactions. While the book was favorably reviewed as he records ‘it had no visible impact on anything.’ Becker was soon to take up an appointment at Columbia combined with one at the National Bureau of Economic Research and his book on human capital Becker (orig. 1964, 1993) was the outgrowth of his first research project for the Bureau. It was at Columbia that he began a workshop on labor economics and began a research collaboration with Jacob Mincer on human capital.

Becker returned to Chicago in 1970 after the student rebellion of 1968 and his dissatisfaction with the ‘incompetence’ of the administration at Columbia University in handling the crisis. He opposed the student protests and believed ‘that Columbia should take a firm hand and uphold the right to free inquiry.’ At Chicago he continued to work on the family and in 1983, after accepting a joint appointment in the Sociology Department at Chicago, began an interdisciplinary seminar on rational choice in the social sciences with James Coleman—a seminar which provided much of the conceptual grounding for work on social capital.

As Becker himself testifies, his work applying economic theory to social issues was not well received by many in the profession, and it has only been since the early 1980s that his work on human capital has received strong approval from politicians and policymakers. From the gestation of his economic approach to social issues to the development of his book on human capital was a mere seven years (1957 to 1964), yet it was not for another twenty years before his analysis of human capital

developed in relation to human capital became the reigning orthodoxy. As he writes in the Preface to the third edition of *Human Capital*,

In the recent presidential campaign, both President Clinton and former President Bush emphasized the importance of improving education and skills of American workers. They did not even shy away from using the term 'investing in human capital' to describe the process of improving the quality of the work force. A dozen years ago, this terminology would have been inconceivable in a presidential campaign (Becker, 1993, p. xix).

Broadly speaking, as Becker explains in the Ryerson Lecture (added to the 1993 edition):

Education and training are the most important investments in human capital. My book showed, and so have many other studies since then, that high school and college education in the United States greatly raise a person's income, even after netting out direct and indirect costs of schooling, and after adjusting for the better family backgrounds and greater abilities of more educated people (Becker, 1993, p. 17).

In a period of roughly thirty years human capital theory has become the basis for education policy in most Western countries. Historically, we might see this as part of the rise of individualism in the liberal West and a commitment to the assumptions of individuality, rationality, and self interest that govern neoclassical economic theory.

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