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Liberalism comes from Latin word 'Liber' which denotes 'free man'.

Liberty or freedom becomes the basic concern of liberalism. Every ideology is linked to a particular class. Liberalism represents the interest of emerging capitalist class historically. At ^{present} also liberalism finds support among middle classes along with the traditional support from the capitalist class.

Origin of Liberalism

Today liberalism is a meta-ideology (many schools of thought within). Liberalism emerged with the rise of modern age. Movements like Renaissance, Reformation, Enlightenment contributed to the rise of liberalism.

Basic theme in Liberalism

- Respect for individual giving him freedom & opportunities to lead his life in his own way, but at the same time respecting similar rights for others.
- Liberalism offered a new way of life which differs from medieval communitarian order.
- Liberalism gives priority to Right over Good.

Right
Freedom/Liberty

Good
aim/objective.

Unlike other ideologies which define goals

to be pursued by individual, liberalism only provides opportunities & leave it on individual as to what goal it wants to pursue.

Classical Liberalism (negative liberalism)

- aka - Theory of minimal state
- Theory of police state
- State as a nightwatchman

Assumptions of classical liberalism

1. Individual / human nature

- Man has reason. Man does not need to be guided by church / state. Man has ability to take decisions which according to him are in his interest.
- Liberalism is against paternal authority, recognises man's ability to take rational decisions. It gives importance to individual's initiative.
- Since man has reason, man can be given rights & liberties to pursue his goals as a member of society.
- Man is the best judge of his interest, giving him freedom he will achieve his interest in the most efficient way.
- Liberals justify rights & freedom either on the ground of Natural Rights or on the ground of Utility.
According to Locke, man has 3 inalienable rights. Right to Life, Liberty & property.

According to Thomas Jefferson, every man should have right to life, liberty and pursuit of happiness.

Liberal conception of society

For liberals man is prior to society.

Society is nothing but aggregate of individuals.

They compare society to a market place. It is a place where individuals come to pursue their interest. On the other hand for Idealists, society is organic, natural & prior to individual.

- Liberal society comprises of rational individuals, busy in pursuit of their self interest.

For liberals, rational man is a self interested man having capacity to protect & promote his interest. Man ~~protect~~ promoting interest of others at the cost of self is not the real but idealistic view of man.

- Liberal man is atomistic, who can survive on its own & not dependent on society.

- Next classical liberal conception of man is also described as possessive individual.

Possessive individualism implies belief that all achievements of man are because of his efforts & no role of society.

Liberal Conception of state or authority

Authority is an evil because it limits freedom.

However authority / state is "Necessary Evil". It is necessary because self interest of man may destroy a social order, so state is required as a regulator.

origin of state :

State is created by man. State is artificial, not natural. This view is known as Mechanistic View of State. It means state is a machine.

The 2 principles of authority are consent & contract.

The concept of rights & consent implies limited state. State can do only what is permitted & can not do for which people have not authorised the state. For classical liberals "That state is best which governs the least".

- It is also known as minimal state. State performing minimal functions. Minimal functions are

- External Security.
- Enforcement of contracts
- Maintenance of Law & Order.

- State to perform police functions rather than welfare functions.

This state is nightwatchman state. According to Adam Smith, state has to act as a referee rather than captain. They talk about regulatory state. The role of state is to implement the laws.

Form of Govt. preferred by Liberals

Democracy is the natural choice.

This is the only way to establish limited state & to ensure that state runs according to the wishes of the people. Liberals propose measures like

- Separation of powers for protection of liberty
- Periodic elections
- People's right to choose representatives

Theme of Separation of powers

- Power corrupts. An absolute power corrupts absolutely. Hence there has to be separation of powers. For them, great men are always bad men. Hence there has to be checks & balances.
- To offset the issue of tyranny of majority & to ensure democracy exist in proper sense of the term, liberals go for a mixed type of a government where legislature is elected & judiciary is selected. Judiciary acts as a guardian of the constitution.

Classical liberal view on social policy

State's role is only to implement the laws. State should establish equality at 2 levels.

- Legal Equality (Equality before law)
- Political Equality (Everyone has right to participation)

State should not strive for establishing social & economic equality.

In society, distribution is to be based on talent or merit. They believe in Aristotle's idea, that it is unjust to treat unequals equally.

They support meritocratic society.

They support equality of opportunity rather than equality of outcomes.

-ve : state is negated from economy

They demanded equality of opportunity w.r.t. monarchs & feudal lords. According to Bentham, everyone should have equal opportunity to pursue his welfare, i.e., happiness.

They support Herbert Spencer's view:
"Survival of the fittest"

- William Sumner suggested that "Drunkard in the gutter is exactly where he ought to be"
State has no role in bringing him out of the gutter."

Economic Policy

Adam Smith

He was against state's intervention in economy.
He gave the concept of "Invisible Hand" in economy which automatically regulates economy.
This is called as Laissez Faire state.

Positive Liberalism

Factors for rise of positive liberalism

- Socialist challenge
- Crisis of Capitalism
- Great Depression of 1930's.

It appeared that invisible hand is not working & hand of state is required to bring economy out of crisis. The first country to introduce welfare state in practice is USA in the form of New Deal Act introduced by Roosevelt.

- U.K. has introduced welfare state policies in 1942 with the adoption of Beveridge Report which suggested that state has to deal with 5 evils

- want
- disease
- ignorance
- poverty
- idleness

- Keynes was the major force behind changes in the economic policies pursued by liberal states. Keynes suggested that states has to generate demand by providing employment.

Philosophical basis of positive liberalism

The process of shift started with J.S. Mill, who started the realisation of negative implications of negative liberty as well as utilitarianism. Mill has brought elements of idealism to reform classical liberalism & to give humanitarian touch to liberalism.

- However in Mill, the idea of positive liberty has not evolved completely.
- T.H. Green is known as "father of positive liberalism"
- Other prominent scholars include L.T. Hobhouse, Laski, Barker.

Basic assumptions of positive liberalism

- About individual / human nature.
Liberty remains the prime concern. Classical liberals found liberty & social & economic equality

as incompatible. But for positive liberals, liberty & equality becomes compatible.

They left the view of atomistic man & held that man is moral & social by nature.

They do not look at society as aggregate of individuals, but as natural organic & important.

Conception of state

For classical liberals, state is necessary evil, but for positive liberals, state is an institution which is necessary for virtuous life. Thus state became "Partnership in Virtue".

Conception of Liberty

Liberty changed from negative to positive.

- Negative Liberty:

Negative liberty means absence of interference.

It means man is free when state is absent.

- Positive Liberty

It means man can also be free even in the presence of a state. Presence of a state does not reduce liberty rather enhances liberty.

State performs many such functions which contribute to the capacity building & hence help man in realisation of liberty in a better way. Amartya Sen suggests that capacity building functions of a state helps in achievement of "Functional Freedom".

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T. H. Green

- Human consciousness postulates liberty.
- Liberty involves rights. Rights demand state.

- State is to hinder the hindrances.

- Will not forced is the basis of state

- Human con

Above statement gives crux of positive liberalism. It explains positive liberal view of individual liberty, society, rights & states.

- Positive liberalism modified classical liberalism in context of socialist criticism as well as crisis faced by capitalism. Positive liberals modified liberalism by bringing elements of idealism into liberalism. Still class positive liberalism is not exactly idealism. The difference is idealists only emphasise on duty but liberals & emphasize on rights & liberties.

- For idealists state is natural, for liberals state remains a matter of utility. Idealists sacrifice individual in the name of society & states whereas positive liberals tried to establish equilibrium among the three.

- In the 1st part of the statement, like all liberals T.H. Green emphasised the importance of liberty. It is very natural for human beings to have an urge for liberty. The reason is man can not have a fulfilled life without liberty.

- J.S. Mill has also held that liberty is necessary for development of human personality & it is beneficial for both state & society.

The 2nd part of the statement gives positive liberal view of society & the relationship between individual & society. Positive liberals reject the conception of atomistic man & put forward the concept of moral man. They show the importance of society for man which was undermined by classical liberals. It suggests that rights have social origin. Man can enjoy his liberty only when society gives recognition to his liberty and convert his freedom into right.

3rd part of the statement explains the role of the state. Though state remains an instrument of utility still the nature of state has changed. Negative / Classical liberals view state as necessary evil. They believe that presence of state limits liberty. Hence they support minimal state. Positive liberals view state in positive sense. For them liberty is not diminished rather enhanced in the presence of the state. State performs many such functions which help in the better realisation of rights. According to T.H. Green, state ~~hinders~~ the hindrances, i.e., removes the obstacles which may come in the path of enjoyment of liberty. Thus positive liberals support affirmative action by the state in favour of those who are at disadvantage.

fun q state
perception of +ve
not classical liberals.

- Will not force State is to hinder the hindrances

This deals with nature & function of the state from the point of view of positive liberals.

Pos They view state in a positive sense & not as a necessary evil. For +ve liberals, presence of state does not diminish liberty. It rather enhances liberty. How? State performs many welfare functions.

- Will not force is the basis of state.

Above statement reflects the debate between liberals & Marxists. Marxists view state as an instrument of coercion. For Marxist, state does not represent the will of all but only of the dominant section. For Marxists, origin of state is in force. It originates in subjugation of weak by strong. Hence Marxists challenged the legitimacy of the state & inspired working classes to revolt against the state.

Positive liberals come in the defence of the state. According to them, Marxist predictions went wrong. There was no revolution against the state in advanced capitalist societies.

State continues because there is a will for the state. People recognise the importance of state as state performs many useful functions. Neither origin nor continuation of the state is in force, but in the will of the man. State represents the general will, that is why it continues.

- However debate does not end here, as Gramsci challenges the notion of will. For Gramsci, there is no real will for the state but manufactured will for the state. Neo-Marxist thinker Habermas gave the concept of "Legitimation Crisis".
- He suggests that welfare state is bound to suffer from legitimation crisis because it works on contradictory principles, i.e., capitalism in economics & socialism in politics.

Laski

- Every state is known by the rights it maintains.
- Rights are those conditions of social life without which no man can see in general to be himself at his best.

Introduction as a Thinker

- Laski represents many shades of thoughts.
- He supports liberalism, welfare state, socialism as well as pluralism. Laski like all liberals have faith in rights & liberties. He believes that rights are necessary for the fulfilment of one's life.
- Laski belonged to time when negative implication of laissez faire state were well recognised. He was also influenced by socialism. However he did not support Soviet model of socialism which gives no scope for liberty. He was also critical of fascist states. According to Laski every state is known

by the rights it maintains. It means that most important function of state is to maintain system of rights. We can analyse the nature of state on the basis of system of rights maintained by the states. Totalitarian states do not give rights.

Socialist states recognise social & economic rights but sacrifice civil & political rights. Welfare state establish the balance. It tries to provide social & economic rights without compromising civil & political rights. Laski

Laski has given elaborate list of rights which should be provided by the states. Many of such rights recommended by Laski find place in Part IV of Indian Constitution. It includes participation of workers in management, regulation of wages & working hours, right to food, health & education, maternity relief, etc.

Neo-Liberalism

Factors giving rise to neo-liberalism

- Welfare states became unsustainable. They have grown too big. Welfare state became nanny state. State was expected to perform all functions or fulfill all needs of man from cradle to grave.

IMF & World Bank suggested rolling back of state & space left by state to be occupied by the private sector. It was believed that state is not efficient in providing services to human beings. Market is more intelligent. Market economics results into the optimum utilisation of the resources in the best possible manner.

Neoliberalism started in 70's in Britain as Thatcherism & in US as Reaganism.

Supporters of neoliberalism talked about 'Tina factor'. Gradually neoliberalism spread to South East Asian economies, countries of eastern Europe. In context of Eastern Europe IMF prescribed 'shock therapy', introduced as structural adjustment programs for countries of South Asia, Africa & Latin America.

Neoliberalism is based on Washington consensus.

Neoliberalism is known as market fundamentalism.

The difference betⁿ neo & classical liberalism

• For classical liberals, market principles offer solution to economic problems.

• For Neoliberals, market offers solution for all problems.

Tma
factor

There is no alternative.
This is the only alternative.

Decontrol, deregulation, disinvestment & liberalisation became mantras of neoliberalism. Washington consensus gave 10 principles known as Principles of Neoliberalism.

- Reduced govt borrowings
- Redirection of public spending from subsidies towards pro-growth programs like investment in infrastructure.
- Tax Reforms: making base broader but moderate tax.
- Market determined interest rate
- Competitive exchange rate
- Promotion of FDI
- Liberalisation of imports.
- Privatisation of state enterprises
- Facilitation for entry into market.
- San legal sanctity to property rights.

Key Neoliberal Thinkers

Hayek

Known as "Father of Neoliberalism".

He was critical of welfare state. According to him welfare policies of the state do not benefit the targeted sections. It results into divergence of resources from productive to non-productive sectors. It gives rise to 'Black Economy'.

- He compared progressive taxation with bonded labour & thus unethical.
- He was critical of planning, calls planning as "Road to Serfdom".

It means planning takes away liberty.

- He was critic of social justice, calls social justice as mirage. In the name of social justice state assumes lot of power. Instead of state providing social justice, he supports charity.

- According to him rich is not responsible for the state of poor, it is a matter of luck, that Hence rich should not be tortured or forced to work for poor. H

- He is critical of positive liberty. He does not believe in inner liberty, higher liberty. Liberty is liberty. That means liberty is absence of coercion in any form. He compares market with vast nervous system having infinite capacity to receive & process infinite no. of messages & remain in equilibrium, Most efficient at macroeconomic level & microeconomic level.

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Milton Friedman

Book: Capitalism & Freedom

- According to him, Capitalism is not dependent on democracy, rather democracy & freedom is dependent on capitalism. Without capitalism it is impossible to think about freedom. For making capitalism first & democracy secondary, he is also known as Guru of Neoliberalism.

- His thoughts are criticised by social liberal scholars like Amartya Sen, who believe that development & democracy are interdependent. Democracy is essential for development, not only this development has to be democratised.

Joseph Stiglitz does not consider neoliberalism as sound economic theory, rather a political doctrine serving the interest of the rich class.

He does not consider neoliberal prescriptions for development of developing countries as desirable. For Stiglitz, growth needs to be substituted by development. For neoliberals,

liberalisation, privatisation become an end in itself rather than means to an end.

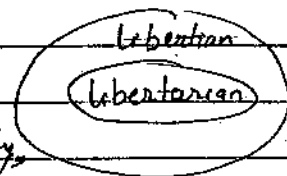
Robert Mox Nozick

Book: Anarchy, State & Utopia

He is a defender of absolute Right to Property.

According to him minimal state is inspiring as well as right. Thus he revives the concept of

Nightwatchman State. Nozick is often treated as



semi anarchist as he goes to the extent of suggesting privatisation of even those services like policing which is traditionally assumed to be the essential function of the state. He also considers progressive taxation as bonded labour.

- According to Nozick, historical injustices can be resolved only to certain extent; cannot be stretched too far. Any such attempt will rather create more problems.

Mancur Olson

Famous for his concept of Paradox of Collective Action. He has also criticised state policies providing welfare to the people. The real problem is it never happens.

According to him no action is collective action. The Paradox of Collective Action is that every action is individual action. Politicians & civil servants are also human beings. They will also work in their own interest. Hence the best solution is rolling back of the state, not giving resources into the hands of politicians & bureaucrats is the only way to deal with corruption.

Criticisms of Neoliberalism

Marxist's criticism

Immanuel Warrenstein

He compares neoliberalism with barbarianism.

He is critical of the role of MNCs in third world countries resulting into uneven development.

Social liberal's criticism

Rowls

Amartya Sen

Joseph Stiglitz

Donald Dworkin

Rowls suggested equilibrium between liberty & equality. According to him individuals are moral beings. It is their responsibility to contribute to the welfare of the least advantaged section of society. He does not support absolute rights or freedom. He does not support possessive individualism. What we possess is not solely due to our efforts, it is also a matter of chance.

Joseph Stiglitz

He is also critic of neoliberalism, considers neoliberalism as a political doctrine. He suggests post Washington consensus. It implies that prescriptions of Washington consensus may not be suitable for developing countries where inequalities of income & wealth exist. He has

appreciated East Asian model where state did provide lot of support & guidance in economy. For him, growth is not an end but equitable development is an end.

- Post Washington consensus demands equitable distribution of benefits of growth. He wants that the institutions like IMF & World Bank prescribing neoliberal prescriptions like structural adjustment program are themselves not democratic & transparent in their functioning.

Noam Chomsky

Neoliberalism promotes interest of less than 1% of global population. They want to control the lives of large no. of people for fulfilment of the interest of few. Neoliberalism undermines democracy, it creates consumers rather than communities. It is concerned with profit rather than people. It is harmful for environment as they are against environmental regulation. If these policies promote growth, it also increase social violence & crimes. Neoliberalism is also not sensitive to multiculturalism.

Social Liberalism

It is contemporary form of positive liberalism. They are critical of market fundamentalism. For them, if state is imperfect, market is also imperfect. Social liberals suggest that market cannot be given complete freedom, state has

to act as regulator over market. They also support welfare functions. In terms of welfare functions, approach is different from earlier welfare theorist. They want to limit state to the capacity building function. They believe that state, market & civil society has to work together to achieve sustainable & inclusive growth.

Structure of liberal theory of state

- Origin of State : social contract
State represent will of people, not will of god.
- Nature of state
State is neutral arbiter of conflicting interest.
State is impartial, everyone is equal in the eyes of law. State simply implements laws made by people. State represents general will.
- Marxist are critical of liberal theory of nature of state. State is not neutral arbiter, rather instrument of the dominant class.
Gramsci added to Marx's theory, state is not neutral, it only appears to be neutral.
Civil society creates the opaqueness & we are unable to understand the exploitative nature.
- Function of the State
Classical liberals: That state is best which governs the least.

Positive liberalism: Laski

Every state is known by the rights it maintains.

Neoliberal:

Minimal is inspiring as well as right

Social Liberal:

State should perform regulatory functions
& capacity building functions.

Neoliberals vs Libertarians

Neoliberals want economic freedom
market fundamentalism

Libertarians main concern is liberty
in all spheres.

Demand more of cultural freedom &
not just economic freedom.

Will have more problem from multiculturalists.