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Right-wing populism and market-fundamentalism
Two mutually reinforcing threats to democracy in the 21st century

Walter O. Ötsch and Stephan Pühringer
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Two mutually reinforcing threats to democracy in the 21st century

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Abstract

The article compares market fundamentalism and right-wing populism on the basis of its core patterns of thinking and reasoning. Based on an analysis of the work of important founders of market fundamental economic thinking and the arguments brought forward by leading right-wing populist we find many similarities of these two concepts in their "inner images". Thus, we develop a scheme of the similar dual social worlds of right-wing-populism and market fundamentalism and offer some recent examples of market fundamentalism and right-wing populism mutually reinforcing each other or serving as a gateway for each other. We then apply our scheme for the analysis of the recent political developments and its ideological roots in the US under Donald Trump. The main conclusion of this article is that market fundamentalism and right-wing populism together must be seen as two mutually reinforcing threats to democracy in the 21st century.

Keywords: Right-wing populism; market-fundamentalism; inner images; Donald Trump; patterns of thinking

Introduction

It is noticeable that in many cases right-wing populism appears together with neoliberal policies. Examples are the Austrian freedom party (FPÖ) – which particularly during the right-wing-conservative coalition in the early 2000s had strong ties to neoliberal think tanks like the Hayek Institute Vienna (Girkinger 2007) – and the Alternative für Deutschland (AfD). The “right-wing-conservative national-neoliberal” (Friedrich 2015) AfD was founded by neoliberal economists and is now pushing for restrictive refugee policies and strictly opposing Merkel’s derogatorily labeled “welcoming culture”. In 2005, for instance, the founding party leader of AfD Bernd Lucke organized the Hamburger Appell. This garnered a big response among German economists and was published by the neoliberal advocacy think tank Initiative Neue Soziale Marktwirtschaft (INSM) under the heading “250 professors, 10 theses, 1 opinion” (ISNM 2005, p. 5). This indicates the strong neoliberal or, as we argue, “market fundamental” consensus among German economists at that time; such opinions continue today (Pühringer 2017). Although both examples also show the tense relation of neoliberal
policies and right-wing-populism, which for instance manifests in party splits (FPÖ in 2005, AfD in 2015), the two concepts served as a gateway for each other.

Another recent example is the influence of the *Heritage Foundation* (HF) on the government of Donald Trump. The HF is one of the most powerful neoliberal think tanks in the US. In 1973, it was founded by Edward Feulner (and others) in narrow connection to Hayek’s *Mont Pèlerin Society* (MPS), which can be interpreted as the inner core of the neoliberal “thought collective” (Mirowski 2013, p. 43ff.). From 1977 to 2013 Feulner was president of the HF and from 1996 to 1998 also president of the MPS. Amongst other things, in 1980 the HF wrote the 1,100-page *Mandate for Leadership*, which was described as a blueprint for Reagan’s “reforms”. Recently, the HF has also played an important role in Trump’s transition team by writing a similar blueprint for the government of Trump.¹

In this paper, we argue that the parallels between right-wing populism and neoliberalism are rooted in notable resemblances in their core thinking patterns. We postulate that thinking (and language) is based on images and shows that right-wing populism and Neoliberalism are based on similar images: Both show a world that is split into only two countervailing parts. Right-wing populism shows a society split into two groups, fighting with each other. In a similar vein, neoliberalism shows only two possible countervailing economic and societal orders, which for instance manifest in the following rhetorical question: “Do you want more market or more state?” Therefore, following our interpretation, combing right-wing-populism with Neoliberalism means that two dual images are brought together.

**Language is based on mental images**

Our core thesis is based on a specific understanding of “inner images” for human cognition. This conceptualization was developed in Simulation Semantics. Bergen (2012) for instance gives an overview of about 200 studies, which show how semantic simulations operate during the process of reading and listening. His “embodied simulation hypothesis” (ESH) asserts that mental simulations (like inner “images”) are the basis of language: “We understand language by simulating in our minds what it would be like to experience the things that the language describes” (Bergen 2012, p. 13). In other words, according to the ESH, in speaking and writing (mostly unconsciously) we refer to mental images and thus anybody who reads or listens to us can only understand us if the text triggers an (maybe similar, but normally different) own inner image. But this image “is not just an intellectual operation on disembodied concepts, ideas, or representations. Instead, understanding is a profoundly

bodily process of experiential simulation that uses complexly interconnected brain regions responsible for all sorts of perceptual and motor activities as well as emotional responses and feelings.” (Johnson 2015, p. 3)

This thesis has many implications for the concept of language. An example is the understanding of metaphorical language: Based on the ESH, the metaphorical simulation hypothesis (MSH) indicates that by using metaphorical language like *War veterans struggle to fit back into society* – which describes veterans trying to physically fit into something like a container – we actually mentally simulate the concrete, physical motion being described (Bergen 2012, p. 198). Hence, performing a concrete action accelerates the understanding of a subsequent matching metaphorical phrase heard by people. Similarly, “abstract concepts like time, morality and affection are tightly linked to the very concrete things they’re metaphorically described in terms of – distance, cleanliness, and warmth.” (Bergen 2012, p. 215f.)

This can be combined with the metaphor approach of Lakoff. In nearly all cases, the source domain of conceptual metaphors is some experience of bodily perception, motion, feeling, personal interaction, or concrete social interactions. Again, “these image-schematic structures and relationships are not limited to cases of concrete objects and actions. Their structure and logic can also be appropriated for abstract understanding, such as when a State – as we just saw above – is understood metaphorically as a location (which is a bounded region, and hence a two- or three-dimensional container). […] This image-schematic logic applies not just to physical containers or bounded spaces, but to abstract containers like states, mathematical sets, institutions, etc.” (Johnson 2015, with references to Johnson 1987 and Lakoff and Nunez 2000). In the following section we use this approach for the analysis of both right-wing-populist and neoliberal language.

### The worldview of demagogy

In the case of populism we follow Mudde's definition of populism as the ideology of a divided world:

“I define populism as an ideology that considers society to be ultimately separated into two homogeneous and antagonistic groups, ‘the pure people’ versus ‘the corrupt elite’, and which argues that politics should be an expression of the volonté générale (general will) of the people.” (Mudde 2004, p. 543)

According to the ESH we can ask which kind of inner pictures and images of the social world are found in typical populist texts and slogans. It has already been shown that – according to Mudde (2004) – populist leaders in different contexts use the concept of “the people” contrasted by an “elite”, a “system” or an “establishment” (Ötsch 2002, Wodak et al. 2013, Wodak 2015). Hence, it can be concluded that populism is based on the mental image of a social world that is composed of only two
groups: A homogenous in-group ("We", “Us”), which is the target group for political propaganda, and a homogenous out-group: “the Others”, “Them” (Wodak 2015). These two groups are strictly separated with no common features.

This can be combined with the social panorama thesis of Lucas Derks (2005), which aims to explain how people simulate social reality. “According to this model, they use an unconscious landscape filled with the generalized images of all people who are relevant to them. The permanent character of a relationship arises from giving such an image a relatively stable position in this panorama, which means that an individual with whom one has a relationship is located stably at a particular place in mental space.” (Derks et al 2016, p. 4f.) Thus, by applying this approach to the populist image of a divided society, one can assume that in the social landscape of populists, the group of the “We” are located very near (“We stand together”) and the group of the “Them” are located far away (“The elite has far gone away from us”), with an empty space between the two groups (we call this a demagogic panorama, Ötsch 2002). According to Derks, such a big distance in the location of the social mental landscape has to do with the phenomenon of de-personification: The further away people are remotely located in the internal scenery, the less they are perceived as “real people”. Bit by bit, one can take important rights from them. In this conceptualization one can substantially hollow out democracy.

The image of a divided society used by right-wing-populists has many well-known implications: (1) specific terms that indicate a divided society (e.g. “the people”, “the citizens” or “the forgotten men” (Donald Trump) versus “the system“ or “the elite”); (2) the concept of “We” and “Them” as homogeneous groups (Wodak 2015); (3) a binary code where the “We” are always conceived as (a) good, (b) innocent and (c) victims, and the “they” are always (a) bad, (b) guilty (they serve as scapegoats, Wodak 2015) and (c) offenders; (4) a systematic ignorance of empirical facts (without which a binary code cannot be established); (5) a warlike relation between “We” and “Them”; and (6) different contradictory conspiracy theories, which “explain” this “war”. (Ötsch 2013)

**Market-fundamentalism**

Neoliberal thinking at first glance seems to be diametrically opposed to right-populist thinking. The campaign of Clinton versus Trump was partly understood as a struggle between a neoliberal and a right-populist political agenda. Clinton for instance supported international trade treaties; Trump in contrast wanted to end the NAFTA agreement. Nevertheless, in the Trump administration, neoliberal agendas are even pursued on a bigger scale than in the Obama administration. Many of his policies addressed in his “Contract with the American Voter” as well as his plan for the first 100 days in office are consistent with neoliberal thinking. Trump promotes deregulation (also for banks and financial markets) and promises to reduce corporate taxes.

Hence, right-wing-populist and neoliberal positions are seemingly compatible with each other or, as we will argue, can even be interpreted as mutually reinforcing concepts or gateways for each other.
The main cause for this complementarity is that neoliberal thinking rests on a similar dichotomy of "us" and “they” (and according to ESH a similar image). In neoliberal reasoning, this dichotomy is based on the concept of “the market” that stems from the founders of neoliberalism. These are Austrian economists (like Ludwig von Mises and Friedrich von Hayek), German Ordliberals (like Walter Eucken, Wilhelm Röpke and Alexander Rüstow) and Chicago economists (like Henry Simons) who formed a dense international network in the 1920s (see Ötsch et al. 2017, ch. 4.3). Early neoliberals proclaim a divided economic world where “the market” is opposed by a logical counterpart (we call it “the non-market”), such as “socialism”, “totalitarianism”, “collectivism”, “egalitarianism”, “interventionism” or a “planned economy”. Later also “Keynesianism”, “the welfare state”, “bureaucracy” – and finally – “the state” were included. The popular version of this dichotomous view manifests in the following question: Do you want more market or more government? We thus term the conceptual dichotomy of “the market” and “the non-market” as market-fundamentalism.

Examples for this (market-fundamental) world-view can be shown for early proponents of the neoliberal thought collective:

• Mises stresses in “Critique of Interventionism” (1996/1929) that we must choose between two possible economic orders that contradict each other, i.e. “the unhampered market” or “the hampered market”: “There is no other choice: government either abstains from limited interference with the market forces, or it assumes total control over production and distribution. Either capitalism or socialism; there is no middle of the road.” (ibid., p. 26). As a consequence, “the market” is always associated with positive terms, such as “freedom”, “logic”, “consumer service”, “natural”, “scientific and systematic” and “protection of all those willing to work”. “Non-market” in contrast is always described in negative terms like “authoritative command”, “prohibition”, “arbitrariness”, “police regulations”, “violence” and “chaos”.

• Similar arguments can be found in many writings of Hayek. Like Mises, he distinguishes two antagonistic states of social systems: “the market” (i.e. his “enlarged” or “spontaneous order”) and “socialism”. A telling example in this context is his theory of liberty (e.g. in Hayek 1976/1960). Hayek develops a concept of negative freedom: he defines “the freedom” as the opposite of its negation, i.e. coercion (ibid., p. 11, p. 20, p. 133). With these two exclusive definitions, Hayek attributes “the freedom” to “the market” and “the non-freedom” to the “the non-market”, i.e. “socialism”. Hence, according to Hayek, a market economy is established by a positive force and “socialism” by a negative force.

• Walter Eucken, the leading Ordloliberal in the first half of the 20th century, figured out a complex morphology of possible economic orders (Eucken 1965, p. 91ff.). In his discussion of the determinate forces of economy, he nevertheless came to a dual schema in analogy to Mises and Hayek (Eucken 2004, p. 242).

• Similarly, many modern mainstream-neoclassical micro-economic text-books build on a duality
between “the market” (presented in the model of perfect competition and the standard supply-demand diagram) and “the state”, where the latter disturbs the functioning of the price systems and thus leads to a “deadweight loss” (Ötsch and Kapeller 2010).

The central problem of these approaches is the polysemic of “the market”. It serves as (a) an authority, an institution or a process that is attributed with real "forces", "mechanisms", "trends" or "laws" like “the mechanism“ of the prices; (b) a norm for economic policy; (c) a fiction that has yet never been fully applied; (d) a potentiality that always exists in economy, independently of time and political circumstances; or (e) a utopia: As early as 1949, Hayek complained about the lack of a “liberal utopia” (Hayek 1949, p. 384). In 1982 he offered his utopia in contrast to the vanishing utopia of communism (Hayek in: ORF 1983, p. 51).

To sum up, the neoliberal basic concept of “the market” provides no definitive empirical meaning (with a clear description of the institutional features of “the market”). Therefore, market-fundamental reasoning necessarily includes post-factual elements.

**Two dual pictures**

Combining the dichotomous logic of market-fundamentalism with the EMH discussed earlier, we conclude that market fundamental reasoning triggers a (unconscious) mental picture of a dual landscape comprising only two possible economic orders. This dual picture furthermore can (but does not have to) be combined with the dual right-wing-populist picture of society. Due to their similar basic logic of thinking, they can be interpreted as two mutually reinforcing concepts or as gateways for each other, respectively. The following scheme highlights some aspects of this analogy.
First, on the level of basic entities, both concepts rest on a dual picture of the social world. Second, this dual logic is applied in many different conceptualizations of possible orders and systems. Third, these binary codes are attributed with dichotomous characteristics. Fourth, as the relation of the dual states of the social world is conceived as highly conflictual or even warlike, the political consequences of these two concepts reflect the dichotomous world view of its respective supporters, which is based on an aggressively promoted and partly also anti-democratic support for “the market” or “our cultural identity”.

The basic concept of market-fundamentalism can be applied in different economic policies ranging from Merkel’s ordoliberal-oriented claim for a “market conform democracy” in the recent economic crisis discourse (Pühringer 2015) to a market-fundamental coup d’état like in Chile in 1974. In order...
to understand the potential anti-democratic orientation of market-fundamentalism, the case of Chile is a quite telling example.² The implicit and partly explicit support of leading market-fundamentals, mainly from the Chicago School of Economics for the military dictatorship of Pinochet (Valdíz 1995), shows that the establishment of a free market order is always the superior normative goal in market-fundamentalism. Therefore, the market-fundamental logic can also be applied without political freedom. Hence, as Hayek in an interview with the Chilean magazine “El Mercurio” put in bluntly, “At times it is necessary for a country to have, for a time, some form or other of dictatorial power (…) Personally, I prefer a liberal dictator to a democratic government lacking in liberalism” (Hayek 1981, D9). Although Hayek is certainly not a supporter of dictatorships in general, according to our main thesis in this paper, market-fundamentalism offers a potential gateway for anti-democratic and/or right-wing populist policies based on a common basic dichotomous mental image.

Thus, when market-fundamental reasoning is combined with right-wing populist political argumentation, the binary code of “we” and “they” is mutually reinforcing the binary code of “the market” and “the state”. This combination of binary codes can be identified – on different levels – for many right-wing populists. In the next section we provide examples of linkages of market-fundamentalism with right-wing populist policies in the US and Europe.

**Linkages of market-fundamentalism and right-wing populism (resp. demagogy)**

In the US context, the explicit opposition to (big) government in the Republican Party can be dated back to Barry Goldwater, who was influenced by Hayek and supported by Milton Friedman in the 1960s. Its preliminary culmination was the successful election campaign of Donald Trump (Lütjen 2016). The election campaign and first political actions of Trump, despite several personal curiosities, are rooted in a market-fundamental, neoconservative tradition ranging from “Reagonomics” to Bush Jr’s dichotomous view of “the West against the rest” to several campaigns of the Tea Party Movement; all have paved the way for Trump’s “America first” doctrine. Ronald Reagan’s successful election campaign for the US presidency in 1980 coincided with the election victory of Margaret Thatcher in the United Kingdom in 1979. These two simultaneous events were labelled as the “neoliberal turn” in economic policies. Thatcher had close personal connections to the radical anti-welfare economic think tank Institute of Economic Affairs (IEA) and based her market-oriented reforms of the British social system on expertise of the IEA (Muller 1998). Similarly, there was a formative influence of market-fundamental think tanks, like the Heritage Foundation and the RAND corporation, on the economic policy of “Reagonomics” (McGann 1992, Abelson 1995). A quite telling example of this immediate impact of market-fundamentalism manifests in the long-term study “the RAND health insurance

² See Fischer (2009) for further details on the role of market-fundamental actors and the Mont Pèlerin Society (MPS) in Chile. The MPS itself was founded by Hayek as a global intellectual network to propagate market-fundamental ideas (Ötsch et al 2017, ch. 4.7)
experiment” (Manning et al. 1987), which paved the way for the healthcare reform of Reagan. Hayek was also quite optimistic that after the election of Reagan, the US would be “on the right track” again: “Reagan understands that the best thing is to take the free market as his basis, as the only way of restoring the country's economy.” (Hayek 1981, D8).

Another illuminating example for a strong anti-big-government policy and the dichotomous logic of the “common man” against the “bureaucratic elite” is the core narrative of the Tea Party Movement. The movement was founded as an immediate reaction to the global financial crisis and, according to Frank (2012), initiated the fourth (neo-)conservative wave in the US. Based on a similar dual populist world view, the Tea Party paints the picture of a fundamentally divided American society, where “we”, i.e. “the hardworking (white) men” is confronted with and suppressed by a privileged elite that is financially linked to “the government”. The latter group of “them” thereby is a heterogeneous construct of bailed-out banks, managers of financial industry companies and welfare recipients. Whereas the market-fundamental logic present in the harsh anti-government narrative (e.g. the call for tax revolts) is mainly directed against social security reforms of the Obama administration, market-fundamentalism again serves as a gateway or is mutually enforcing right-wing populism. Thus the “anger of the white man” (Schweitzer 2012), which is also present in Trump’s narrative of the “forgotten man”, is directed against (illegal) immigrants and fueled by conspiracy theories claiming that Obama is Muslim and/or is planning the submission of the white American population. Trump shares several conspiracy theories; maybe the most worrying involves the reasons for global warming.

**Conclusion: a process of radicalization**

Trump is a telling example of a narrow connection of market-fundamentalism and right-wing demagogy. The way he is reshaping US politics follows an inner logic of a dual world picture that has an immanent tendency to radicalization. Since a dual world cannot be proved by empirical facts (the classification of phenomena into only two possibilities is arbitrary), no event or fact can disprove it. If, for instance, one believes in the beneficial effects of “the market”, no crisis (not even the near-death experience of financial capitalism in 2008) can correct this view (Mirowski 2013). In every case, the “non-market”, i.e. governments or national banks, are held responsible for the crisis. The same is true for demagogic policies. Independent of political achievements or disappointments, in every case a conspiracy of “them” is suggested.

Such a construct of ideas automatically leads to successive radicalization. Every achievement (e.g. a deregulation in an important economic sector or a sharp reduction in income taxes) is only an intermediate step on the way to the distant utopia: a new dual picture can always be established. It leads to new claims, e.g. the next deregulation or even lower taxes. Hence, market-fundamentalism on the one hand and demagogy on the other hand has a built-in radicalization, particularly when they are
successful. This can be shown for instance in the case of Milton Friedman. He was the most influential economist in the second half of the 20th century and switched “from a rather moderate liberal position in the 1930s and early 1940s to a definite classical liberal position in the 1950s and then increasingly to a robust libertarian view“ (Ebenstein 2014, p. 92). In a similar vein, the history of the Grand Old Party from Barry Goldwater to Donald Trump can be seen as an increasing radicalization, the last step being the implosion of the party in 2015 (Lütjen 2016).

The government of Trump is the culmination of these trends of radicalization. The most telling example is Steve Bannon, now member of the National Security Councils Principal Committee. Bannon is a radical demagogue; he can be called a racist and a radical market-fundamentalist as well. The dichotomy of “the market” versus “the state” in his case is quite clear: he wants “to destroy the state … destroy all of today’s establishment”, i.e. he wants to establish a new authoritarian order. Trump’s government violently fights against “them” and against the “non-market” simultaneously. Both developments strengthen themselves mutually and endanger democracy.

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3 Ronald Redon, 08-22-16: www.thedailybeast.com/articles/2016/08/22/steve-bannon-trump-s-top-guy-told-me-he-was-a-leninist.html (last accessed, 12 January 2017)
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