NEOLIBERALISM AND THE ROLE OF THE STATE IN SOCIO-ECONOMIC DEVELOPMENT

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Abstract

Neoliberalism, as a dominant economic and political paradigm, advocates for minimal state intervention in economic affairs, emphasizing free markets, deregulation, privatization, and the reduction of public expenditure. Since the late 20th century, neoliberal policies have shaped the role of the state in socio-economic development, often shifting responsibilities from public institutions to private entities. This paper critically examines the impact of neoliberalism on the state's ability to promote economic growth, reduce inequality, and ensure social welfare. While proponents argue that neoliberalism enhances efficiency, attracts foreign investment, and fosters innovation, critics contend that it exacerbates economic disparities, weakens social safety nets, and limits the state's capacity to regulate markets effectively. The role of the state in socio-economic development remains contested, particularly in developing economies where state intervention is often necessary to address market failures and promote inclusive growth. The paper explores case studies of countries that have implemented neoliberal reforms and assesses their socio-economic outcomes. Furthermore, the discussion highlights the challenges of balancing market-driven growth with state-led social protection policies. The analysis underscores the need for a hybrid approach, where states retain regulatory oversight and strategic interventions while leveraging market efficiencies. Ultimately, this paper argues that rather than a retreat from governance, states should adopt policies that foster sustainable economic development, ensure equitable wealth distribution, and safeguard social well-being in the face of neoliberal globalization.

Introduction

When the state and the marketplace is a fundamental aspect of the neoliberal agenda, which became particularly problematic in the 1980s and 1990s when neoliberalism gained hegemonic status. This dominance rendered its principles seemingly natural and legitimate (Harvey, 2005; Mirowski, 2013). The artificial opposition between the state and the market, however, overlooks their inherently complementary roles in modern society (Polanyi, 1944). The state constitutes the constitutional-legal system and the

organisations that uphold it. It serves as the fundamental institution of every society, shaping all other institutions and acting as the coordinating and regulatory mechanism with overarching authority (Jessop, 2016). The state also functions as the political apparatus that ensures the execution and evolution of laws and policies. While the coordination of societal actions is guided by legal frameworks (i.e., juridical order), public administration guarantees this coordination (North, 1990).

Theirsely is a more specialised yet equally fundamental institution; it operates as an economic competition mechanism regulated by the state, facilitating economic coordination in an automatic manner (Stiglitz, 2017). It is an institution that complements the broader coordination conducted by the state rather than replacing it. Thus, opposing the state and the market is counterproductive. While it is valid to critique inefficiencies within the state and consider reducing its regulatory reach in certain economic activities, viewing these institutions as mutually exclusive alternatives is misleading (Chang, 2002). The state will always play a regulatory role in markets, and the ultimate responsibility for effective coordination lies with society. Through its various forms of political organisation—civil society or the nation—society constitutes a state and, within a democratic framework, elects its government (Evans, 1995).

Modern societies operate under capitalist frameworks and organise themselves into sovereign nation-states. Within the context of global capitalism, previous political entities such as empires and tribal territories have largely disappeared, giving way to a world system dominated by nation-states (Wallerstein, 2004). As countries integrate into international markets, globalisation has transformed the world into an expansive and interconnected economic system where the political-territorial unit remains the nation-state (Rodrik, 2011). In this globalised context, economically, socially, and politically developed nations benefit from robust state institutions that regulate markets effectively. A nation thrives when supported by a strong state capable of overseeing a free and efficient market. Therefore, the state and the market should not be seen as adversaries but as institutions of society—tools of collective action designed to facilitate national and economic progress (Block, 2011). A well-functioning society relies on the strength of both institutions, as a robust state enhances the functionality of the market and vice versa (Chang, 2010). Therefore, the thrust of this paper is to explain what the theory of neoliberalism is and the role of the state in socio-economic development.

Socioeconomic Development

This connotes the nature and character of the state of poverty, unemployment, illiteracy, access to education, access to quality health care services, life expectancy (mortality and morbidity), access to portable drinking water, provision of electric power supply, and feeder roads. The rationale for choosing these variables is that they constitute the thrust of Nigeria's National Development Plan called Vision 20-20-20. This development policy document, which is a variant of the United Nations Development Programme on Human Development Index, is what informed the choice of what constitutes socioeconomic development in Nigeria. Therefore, these are the variables variables study intends to use to ascertain how the Nigerian state has used democracy for the benefit of Nigerians. The reason for conceptualising the socioeconomic development in this study around these variables and excluding other variables is as given in the limitation to the study. Thus, the focus of the next sections is conceptualising the theory of neoliberalism.

The State

Weber (1919) defines the state as a "human community that (successfully) claims the monopoly of the legitimate use of physical

force within a given territory." This definition emphasises the state's role in maintaining order through legitimate coercion. On their part, Marx, K., & Engels, F. (1970) state that the state is "a product and a manifestation of the irreconcilability of class antagonisms," meaning it serves as an instrument of class domination that enforces the interests of the ruling class. But this paper defines the state as a "political association that establishes sovereign control over a defined geographical area, enforcing laws and providing governance for its population.

Neoliberalism Theory

The institutional construction of modern societies is the state. Hegel was the first to understand this fact, to see it as the ultimate crystallisation of reason, as the loftiest endeavour of human rationality. For us, it is difficult to understand the claims of the great philosophers because we see our own state as an imperfect normative institution, always needy of reforms (the constitutional-legal system), and as an organisational institution peopled by public servants and politicians replete with administrative and ethical problems (the apparatus of the state or public administration). These, however, are merely differences between design and reality that do not disavow the state. According to Block Block p. 2 2):

as a construct of human will, as the ultimate pursuit of rationality. Whereas the economy and society conceived with no heed to the State remain in the realm ofNecessity and the state are the realm of freedom and human will. In theeconomy and in society, everyone defends their own interests and only secondarily cooperates with others—both actions are carried out in a rather disorderly manner.There are common goals, no collective choices. In this scenario, individuals are guided solely by their reason to fulfil their own self-interests. Because of this, wheneconomists see themselves as liberals [i.e., as conservatives in the Americansense] seek to develop theories about society and the economy without considering politics and the state, they inevitably fall into the perversion of determinism. Determinism is a proper doctrine in the natural sciences, but it lures economists by making their science more “scientific,” apparently more precise, or seemingly better equipped to provide explanations.

In reality, however, economics and other social sciences can only be rendered deterministic through a radical simplification of human behaviour that is intrinsically misleading, because there is always an element of freedom and unpredictability in each human being and because social behaviour is never the mere sum of individual behaviours. Brought together in society, individuals share values and beliefs and build institutions that themselves change the patterns of social behaviour.

This implies that it is by establishing a legitimate and effective constitutional-legal system—a state—by means of other social institutions that citizens can transform their society and build their republic in accordance with those values. When attempting to understand society and the economy, we must always consider the state as well, its government, and other institutions. As Karl Polanyi (1944, p. 33) avers that:

“Economic liberalism misread the history of the Industrial Revolution because it insisted on judging social events from the economic viewpoint because it believed in the “spontaneity” of social change and ignored the “elementary truths” of “political science and statecraft.”. Although concerned with their own interests, citizens can be called free when, in addition to this, they show themselves capable of regulating society and the economy, of organising the common good, of building their nation and their state; in short, of changing their fate for the better. Success in this undertaking is always relative; if we believe in progress, we should reject

pessimism and cynicism and remember that the realm of freedom will slowly impose itself upon the realm of necessity and that humankind, by constructing the state, will gradually give rise to national societies and a world society that are more prosperous, freer, fairer, and environmentally friendly. The social or welfare state and the social capitalism that European societies (particularly in Scandinavia) have built are far from paradisiacal, but they are a very significant sign of progress.

This is why citizens of those countries can afford to give themselves over to self-complacency. On the contrary, they remain engaged in an ongoing critique of their states' practices and institutions, this being the only way to advance a perpetually evolving construction. Regarding this point, Block (2021) arguesBlock (2021) argues a German social scientist who, during a seminar in a developing country with much more serious social and economic problems than Germany's, embarked on a ferocious critical analysis of his own native land. The other participants were taken aback because they were used to criticising their own society but saw the more advanced countries as something to emulate. In truth, however, a country and its society can only be deemed more advanced if its citizens have not lost their critical sense. Because they know that building a good society depends on the ability of each one to cooperate and commit to others; in particular, it depends on their ability to establish a good state in which social objectives and commitments have been embedded.

Blocklock1) is of the view that the state, as a juridical order, is the concrete fulfilment of human liberty and reason. It is our quintessential instrument of collective action. It is, however, an imperfect instrument, not only because we ourselves are imperfect, but especially because this "our" is never seen as belonging to everyone, not even considering Rousseau's general will. Each society must learn who is the "we" that builds the state and uses it as an instrument to reach "our" goals. When Marx and Engels, in the Communist Manifesto, said the State was the executive committee of the bourgeoisie, they were detaching themselves from the State. They were denying the state's rationality and legitimacy (Block 20211).

Butstein (20044) argues that they were right, because the state of their time was authoritarian and "liberal," upheld individual freedom, but denied the political liberty of voting, being elected, and participating in the government. They were right also because the two forms by which their society was politically organised to determine the actions of the state—tion and civil society—are themselves authoritarian, inasmuch as all the power remained concentrated in the hands of an emerging bourgeoisie and a decadent aristocracy. However, Chang (2002, p. 2) asserts

Even at that time—at that stage of development—the constitution of a national state inevitably embraced the struggle of the poor and the workers, since the rising bourgeoisie needed them to attain independence or national autonomy, to form their own nation. State, in other words. He argues that even if they didn't benefit from the establishment of the national state, workers knew that the state would be or might become their instrument of collective action. That is why they fought for a national state and why they later fought for this state to take on a democratic form. Democracy doesn't exist independent from the State; democracy is the political regime or constitutional system based on the right of people to take part in the government that the State underwrites.

This is why Chang (2022) contends that the more developed countries have a social and democratic state, because not only the state itself, but also civil society or the nation, were internally democratised; because economic and political inequality has somehow

diminished; and because, in modern societies and their respective states, the poor and the workers, even if they continue to have less voice than the elites, at least have attained some voice in defining the courses of collective action. To him, the modern state has regulated markets since its historical onset, the absolute state, which emerged from an alliance between landowning and military oligarchies and the emerging bourgeoisie. The liberal state came later—the victory of the bourgeoisie. Chang (2022) is of the view that I can liberal democracy and European social democracy, on the other hand, were not born from the elite but from the people. The bourgeois elites were content with the liberal state—a state that assured their civil rights. Who now demanded political participation and obtained it in some measure were the poor and the workers.

That was the liberal democratic state, and, after World War II, the social democratic state in the European countries where workers achieved greater power. Unlike the pre-capitalistic elites and oligarchies, for whom democracy was unthinkable, the bourgeois elite did not impose an absolute veto on the democratic state during the transitional process of democratic consolidation, perhaps because they understood that they would be able to continue appropriating the economic surplus without direct control from the state (Bresser-Pereira, 2007). The democratic state that exists today, however, either in its liberal form or in the more advanced social welfare form, is a conquest of the poor, of the workers, and of the middle classes. And one of the roles of this state is, inevitably, to regulate markets. Therefore, it makes no sense to oppose the state to the market. Neoliberalism invented this opposition as a way to weaken a state that had transmogrified into a social democratic state during the "30 glorious years" of capitalism (1945-1975) and also as a way to transform capitalism into neoliberal capitalism. Therefore, the thrust of the next section is to explain the state in the neoliberal system.

Neoliberalism Neoliberalismthe State

The great institutional construction of modern societies is the state.**state.**as the first to understand this fact, to see it as the ultimate cryst**allisation**reason, as the loftiest endeavour of human rationality. For this study, it is difficult to understand the claims of the philosophers because we see our own state as an imperfect normative institution, always in need of reforms (the constitutional-legal system), and as an organisational institution peopled by public servants and politicians replete with administrative and ethical problems (the apparatus of the state or public administration). (Chang, 2020). These, however, are merely differences between design and reality that do not disavow the State as a construct of human will, as the ultimate pursuit of rationality. Whereas the economy and society conceived with no heed to the state remain in the realm of necessity, politics and the state are the realm of freedom and human will. In the economy and in society, everyone defends their own interests and only secondarily cooperates with others—both actions are carried out in a rather disorderly manner. No wonder, ChChang (2020, p. 33) argues that:

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Deductively, success in this undertaking is always relative; if we believe in progress, we should reject pessimism and cynicism and remember that the realm of freedom will slowly impose itself upon the realm of necessity and that humankind, by constructing the state, will gradually give rise to national societies and a world society that are more prosperous, freer, fairer, and environmentally friendly. The social or welfare state and the social capitalism that European societies (particularly in Scandinavia) have built are far from paradisiacal, but they are a very significant sign of progress. This does not mean that citizens of those countries can afford to give themselves over to self-complacency. On the contrary, they remain engaged in an ongoing critique of their states' practices and institutions, this being the only way to advance a perpetually evolving construction. Regarding this point, I always remember a German social scientist who, during a seminar in a developing country with much more serious social and economic problems than Germany's, embarked on a ferocious critical analysis of his own native land. The other participants were taken aback because they were used to criticising their own society but saw the more advanced countries as something to emulate. In truth, however, a country and its society can only be deemed more advanced if its citizens have not lost their critical sense. Because they know that building a good society depends on the ability of each one to cooperate and commit to others; in particular, it depends on their ability to establish a good state in which social objectives and commitments have been embedded.

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determine the actions of the state and civil societyare themselves authoritarian, inasmuch as all the power remained concentrated in the hands of an emerging bourgeoisie and a decadent aristocracy.

However, even at that time—at that stage of development—the constitution of a national state inevitably embraced the struggle of the poor and the workers, since the rising bourgeoisie needed them to attain independence or national autonomy, to form their own nation. ate, in other words. Even if they didn't benefit from the establishment of the national state, workers knew that the state would be or might become their instrument of collective action. That is why they fought for a national state and why they later fought for this state to take on a democratic form. Democracy doesn't exist independent from the state; democracy is the political regime or constitutional system based on the right of people to take part in the government that the state underwrites. The more developed countries have a social and democratic state because not only the state itself but also civil society or the nation was internally democratised, because economic and political inequality has somehow diminished, and because, in modern societies and their respective states, the poor and the workers, even if they continue to have less voice than the elites, at least have attained some voice in defining the courses of collective action.

Ont, Harvey (2025) is the view that the modern state has regulated markets since its historical onset, the absolute state, which emerged from an alliance between landowning and military oligarchies and the emerging bourgeoisie. The liberal state came laterthe victory of the bourgeoisie. He is of the view that the American liberal democracy and the European social democracy, on the other hand, were not born from the elites but from the people. The bourgeois elites were content with the liberal statea state that assured their civil rights. Harvey (2025, p. 6) aptly puts that:

Who now demanded political participation and obtained it in some measure were the poor and the workers. The first result was the liberal democratic state and, after World War II, the social democratic state in the European countries where workers achieved greater power. Unlike the pre-capitalistic elites and oligarchies, for whom democracy was unthinkable, the bourgeois elite did not impose an absolute veto on the democratic state during the transitional process of democratic consolidation, perhaps because they understood that they would be able to continue appropriating the economic surplus without direct control from the state.

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Neoliberalism and Neoliberalism and Development

The difference between neoliberalism and socio-economic development is rooted in the ideological metaphor. Start with the market being a more modest institution than the state. As a competition-driven mechanism of coordination, it requires no definition of goals or objectives: the standards are defined by competitors in the competitive process itself (Jessop, 2016). Furthermore, Jessop (2016, p. 2) is of the view that the market requires no authority, no administrative power to define its goals and establish its means. Each company,

each individual, is a competitor that makes decisions independently. For these reasons, the market is a marvellous institution. Without it, it would be impossible to coordinate the large and complex economic systems that capitalist development has produced. Only through the market therefore, through price competition is it possible to carry out a reasonably effective allocation of the human and material resources made available by these complex systems. Because of its tendency to even out (i.e., equalise) profit rates, the market enables a satisfactory allocation of the factors of production. If the offering of capital, labour, or knowledge in a certain industry is lower than the demand, prices soon increase; but, as the factors of production are redirected to satisfy this greater demand, the prices and remuneration of these factors return to a state of equilibrium (Jessop, 2016). The classical economists had already demonstrated the mechanism that Alfred Marshall's theory of partial equilibrium made even clearer and more transparent.

No wonder, Jessop (20166) argues that economic freedom and technical and business creativity, both of which are crucial for the development of complex societies, are only compatible if they are coordinated by the market. To him, in the early stages of economic development, state intervention is indispensable to compel the requisite savings or primitive accumulation of capital for the industrial and capitalist revolution. He argues that the industrialisation of Japan in the late 19th century was entirely carried out by the state, but around 1910 the country privatised its manufacturing industry. The above view implies that the initial development of the Soviet Union and China was done through state investment, even if their leaders believed they were making a socialist revolution (in reality, they were completing the first stage of the capitalist revolution). This is why North (1990) avers that the Soviet Union failed when competing with the United States because its state-run regime, which had been adequate to drive the compulsory savings needed to implement the economic infrastructure, revealed itself inadequate for a more advanced stage of economic development. For example, this paper believes that in Latin America, countries like Brazil and Mexico managed to establish a broad economic infrastructure through the direct action of the state and state-run companies but soon opened their economies to market-coordinated private enterprise because this is the only efficient option.

Yet, as the state, or even more so, this marvellous institution is imperfect. Quite imperfect, actually, because it is blind to fundamental political and human values freedom, justice, protection of the environment and blind even to the very same economic efficiency that justifies it (North, 1990). At certain times, particularly during crises, the market becomes incredibly inefficient. Economic crises are essentially failures of the market. There are instances when the market stops coordinating and begins to de-coordinate and disseminate disorder. It cannot do otherwise, as the market is the realm of economics—indeed, as we've seen, economics is the realm of necessity, not of freedom.

Thus, this paper believes that economic theory is the science of the marketplace, or rather, the science of the marketplace as regulated by the State—that is why it is a political economy. Just as it makes no sense to have a market without a state that guarantees and regulates, it also makes no sense to have an economic theory without a state regulating and guaranteeing the market. But economists have always been tempted to declare their independence from the state. In the days of Adam Smith and Thomas Malthus, this aspiration of autonomy made sense, as the mercantilist state was an autocratic state that, more often than not, distorted, rather than corrected, the economic system. Likewise, it made sense to associate economic theory with liberalism because the emerging bourgeoisie

needed more freedom for their business undertakings. The classical economists were sufficiently realistic, however, to understand that their theory was not strictly economic but also political as politics and the state were not a hindrance (as neoliberalism would later contend) but an integral part of the economic system inasmuch as it regulated and guaranteed the market (North, 1990).

Thus, the action of the papers has established that the market is a competition-driven mechanism of economic coordination. In order to coordinate the actions of the members of any social systemin particular, of an economic system producing goods and servicesa state must have two instruments at its disposal: management and market. Whereas management is a hierarchical system that turns the social system into a bureaucratic organisation (the firm defines its goals and chooses the most suitable means to achieve them), the market coordinates individual economic agents, families, and economic organisations through competitiononly for profit (for companies), but also for better wages and salaries (for workers and professionals). The paper submits that the state hovers above every individual agent, family, organisation, and market and coordinates them all. When it does so directly, it plans and intervenes in the production of goods and services. But this is not its main function. It is when it regulates the actions of all the members of society (by means of a constitution, laws, and public policies) and when, in the economic sphere, it institutes and regulates markets that the state performs its highest and irreplaceable role. And such ideological inclination has implications for the socio-economics of the state.

Neoliberalism and the State: Theoretical

In years, a coalition between wealthy rentiers and a middle class of brilliant financial professionals used neoliberalism as an ideological instrument to get rich. This paper will not discuss here how this coalition came about (it is enough to say that it rose in the United States and Great Britain), nor how, afterward, it became the preferred tool for the wealthiest 2% of the population (in rich countries and in middle-income countries of Latin America) to appropriate high incomes for themselves. This paper will not show how, during this period, financing (indispensable for an economic system to work properly) became "financialisation," that is, the process of creating fictitious wealth and its appropriation by professional financiers. Having established the basic relationship of complementariness and hierarchy between both the State and the market, what really interests me here is understanding the role that certain schools of thought (in particular, the neoclassical economic theory, the new institutionalism, and the theory of public choice) play in providing instruments for the assault of the neoliberal ideology against the State—an assault that, while it lasted, was successful in legitimising a profound distortion in the development of capitalism (Polanyi, 20244).

The best-known episode of the origin of neoliberalism was the establishment, in the 1950s, in Mont Pelerin, Switzerland, under the leadership of Friedrich Hayek, of an American sense, among which were also Karl Popper, Ludwig von Mises, and Milton Friedman. This chapter, however, was merely the precursor of Neoliberalism, not Neoliberalism *per se*, because the members of the group were great liberal [i.e., conservative] intellectuals who struggled against communism—or fought, therefore, against an ideology and a political movement that intended to replace capitalism with socialism and the market with state planning. This is not the place to discuss how real the communist threat was and what were misunderstandings on either side of the table. At the time, there was a great dispute between two fundamental ideologies of modern societies, liberalism and socialism, which were thought to correspond to alternative forms of

organising production (capitalism), and it was becoming clear there was no real economic alternative to capitalism but that this same capitalism might, perhaps, evolve into a social capitalism if workers managed to join the middle classes to establish welfare states (Polanyi, 2024).

This submits that neoliberalism emerged with full strength in American economic science a little later on, in the 1960s, and expressed itself clearly in four thought currents: the neoclassical economic theory, the new institutionalism based on transaction costs, the theory of public choice, and the theory of rational choice, which reduced politics to no more than a market. The four theories sketched a reductionist view of the state and of politics itself. Neoclassical economic theory demonstrated that the state's regulatory actions were not needed; the new institutionalism converted the state into a "second best" *vis-à-vis* the market; the theory of public or social choice transformed the state into an inherently corrupt organisation; and the more radical versions of rational choice reduced politics to profits and losses in the marketplace.

This argues that economists were never able to clearly separate their science from ideology. No wonder, Polanyi (2024, 4, 4) argues that:

It is not surprising, therefore, that when the now-called "neoclassical" economists decided to change the name of economic science from "political economy" to "economics" (in order to consummate the separation between politics and the economy and between ideology and the market, turning *economics* into a "pure science" at last), economic science was transmogrified into mere ideology. With this shift, they acknowledged that the economic field had finally attained a reasonable degree of independence from the rest of society and become a science in its own right—they were unaware that this did not justify a "pure" economic theory and that this made them even more ideologically minded because, by aspiring to this kind of purity, they concealed the political element inherent in the economy, even after the economic sphere was rendered autonomous by capitalism.

Although the founder of the neoclassical school, Alfred Marshall, was one of the four or five greatest economists in history (one has only to read his microeconomics), two tenets of this school—the theory of value and the model of general equilibrium—are a veritable plunge into the darkness of ideology. In the latter half of the 20th century, neoclassical economic science turned the model of general equilibrium into an "idealist-realist" image of the capitalist system, while at the same time the macroeconomic theory of rational expectations demonstrated that no economic policies were needed to counter economic cycles (Rodrik, 2021). Since this new macroeconomics had already proven to be consistent with the general equilibrium, their growth models revealed the same picture. Amazingly, however, the main criterion of truth in this humongous theoretical system was not its consistency with reality or its ability to make predictions (as required of any substantive natural or social science), but rather its own internal coherencethe emblematic criterion of the methodological sciences.

To make ToTois aberration feasible, the method of choice was neither the empirical nor the historical (such as Adam Smith's and Karl Marx's), but the hypothetical-deductive (Bresser-Pereira, 2009). For this very reason, neoclassical economic theory became a purely hypothetical-deductive, purely mathematical science, a perfect demonstration of how markets are or tend to be self-regulated, and explained how the State was almost unnecessary and should remain only a guarantor of private property and the fulfilment of contracts. In the latter half of the 20th century, after the emergence of Keynesian macroeconomics and of

development economics, this insanity was temporarily halted. Not by chance, Keynesian macroeconomics and development economics were dominant between 1945 and 1975, the same period of capitalism's "30 glorious years." In the 1970s, however, the slackening of the developed economies, the falling interest rates, and the stagflation phenomenon became a golden opportunity for neoliberalism to mount its assault on the social state and for neoclassical economic theory to recover its dominant mainstream position. With its macroeconomic and mathematical growth models based on rational expectations, neoclassical economic theory was once again capable of "demonstrating mathematically" the self-regulatory nature of the markets—a trait liable to be hampered only by some very surmountable market flaws (Rodrik, 2021).

Milton Friedman and Robert Lucas are the exponents of this successful two-decade-long struggle for the monopoly of legitimate knowledge, and, with the model of Modigliani and Miller (1958), neoclassical economists were able to provide a financial theory that posited that markets are intrinsically efficient and independent both from the state and from the individual decisions of financial managers. This radical economic determinism reached its pinnacle with Gary Becker's models, which not only separated the economic sphere from the state and from every other aspect of life but also imperiously determined these other realms. As Pierre Bourdieu observed (2000, pp. 17-18), this separation involved an "ethical revolution" through which "the sphere of commercial trade was sundered from the other realms of life… and transactions ceased to be conceived according to the model of domestic trade commanded by familial obligations." Gary Becker went way beyond that and reduced the totality of personal life to the economy. More

More but equally radical was the assault on the state perpetrated by the new institutionalism of Ronald Coase. Instead of practically ignoring the statstate decided to bring institutions back into economic theory. Many economists welcomed this decision, which seemed to increase the realism of economic theory and, perhaps, instill it with the character of political economy once again. However, the new institutionalism had nothing to do with the historical institutionalism of the German historical school or the American institutionalism of John Commons and Thorstein Veblen, so significant in the early decades of the 20th century. On the contrary, it was a hypothetical deductive institutionalism, much as the political theory of Thomas Hobbes' and the Illuminist philosophers' social contract. But much more radical. Whereas the contractualist philosophers deduced the state from the state of nature and the need for safety or order, which only a sovereign could offer, the new institutionalism deduced each and every organisation (the state included) from the costs of transactions. In order to do this, however, it must make a rather unbiblical assumption.

According to institutionalism, people produced and traded under the supervision of the market at the dawn of society. The state is the state of the organisation that was established to lower transaction costs (Stiglitz, Stiglitz, 2017). It was an institution created by politicians and bureaucrats to absorb and lower transaction costs, not the historical result of higher productivity producing economic surplus. The necessity to lower transaction costs always gave rise to the modern state, not the creation of nations or agreements. Because the state is only an organisation with the unique ability to enact laws and impose taxes, rather than a constitutional-legal system or juridical order, it is subservient to the market. This attack on the state is furthered by the idea of public choice, which contends that it is not just an organisation but also a criminal one, with members who are interested in obtaining rent and citizens excluded.

Conclusion

This paper is of the view that, assuming that the collective action of big groups is inefficient and impeded by free riders, political scientists promote rational choice. This view ignores the logic of society's and is fundamentally hypothetical-deductive. The public interest, or good, is the logic of politics, and the state and politics can be thought of as a market.

This This paper submits that the public interest and personal interests must be balanced by public leaders. Since the only possible objective is rent-seeking, the first trade-off is not admitted by the theory of public choice or the more radical form of rational choice, which makes the state organisation illegal. The first and second tradeoffs are acknowledged by more moderate currents of the theory of rational choice, but they are no longer genuine proponents of rational choice. Neoliberalism is a basic unconscious component of all ideologies, and many intellectuals who identify with it do not share its objectives or reap its advantages. They criticised public officials as rent-seekers, claiming to be developing science and upholding public morality. However, studies have shown that American doctoral students majoring in economics have significantly lower ethical standards than their counterparts in other fields, indicating that economists' moral standards have been lowered by adopting the neoclassical economic theory and the theory of public choice.

Politics is viewed as a barrier to neoliberalism, which has gained popularity since the early 1980s. The macroeconomics of rational expectations, growth models, and the model of general equilibrium are examples of neoclassical economic theory that evolved into a meta-ideology for the presumption of self-regulated markets. However, as these theories merely served as a guide for their ideological deregulation promises, they were meaningless in the real world. Gregory Mankiw (2006) claimed that policymakers in Washington employed "a kind of engineering" influenced by Keynes instead of neoclassical macroeconomics. The public choice theory denied the notion of pursuing anything beyond self-interest, reducing the state and its representatives to the role of citizens and rent seekers. The 2008 financial crisis, a massive concentration of income, and the financialisation of financial markets were the results of this. Neoliberalism's attack on the market and the state may be considered cyclical, but it was neither a necessary feature of capitalism nor a cyclical adjustment. Societies have tried to control and shape capitalism to fit their political goals and ideals, creating a system that blends market and governmental regulation. Although this political construction process has been halted and reversed, there is no reason why it shouldn't start up again right away.

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