Francis Fukuyama on the Retreat from Classical Liberalism

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The “Good” in Classical Liberalism

Francis Fukuyama’s *Liberalism and Its Discontents* (2022) defends classical/humane liberalism—ideas that emerged in the second half of the seventeenth century—arguing for limitations on government, constitutions, the rule of law, and the protection of individual rights. Classical liberalism theory tends to be individualistic, egalitarian, universalist, and meliorist, with a capacity for self-correction. His goal is to describe contemporary American society’s retreat from the better aspects of classical liberalism.

Fukuyama advocates neither left-of-center U.S. politics, sometimes referred to as progressive liberalism, nor right-of-center libertarianism. Fukuyama remains a relevant and frequently cited public intellectual; his writings are a reflection of a long career studying trends in domestic and international public policy. His insights, written for the public, are philosophical rather than empirical.

Fukuyama’s “Good” is based on three pillars: liberal ideas, democracy, and the state. Liberalism’s contribution is to contain violence in a diverse population, to protect basic human dignity, and to promote economic growth. Its mechanisms
are rational evidence-based decisions, recognition of individual choice, and a marketplace of ideas.

Fukuyama addresses the tension between a commitment to state protection of property rights and the redistribution of wealth and income. At the same time, he is explicit about democracy’s role in mitigating inequalities, an outcome due to liberalism.

What then does Fukuyama, who identifies as a classical liberal, recommend for addressing the current retreat from liberalism? First, he recommends that classical liberals avoid bizarre conspiracy theories and get past the neoliberal era in which the state was demonized. Diverging from many other classical liberals, he is concerned with the quality of government, not its size. He emphasizes that GDP growth should not be a nation’s primary goal, but is realistic in recommending that social protections and transfers must fall within the limits of a nation’s long-term financial sustainability.

Fukuyama laments contemporary society’s discounting of reason and expertise. Societies cannot function if they fail to agree on basic facts supported by the expertise of courts, the scientific community, and professional journalists. What then is the appropriate response for protecting freedom of speech for these institutions and professionals? According to Fukuyama, the issue is not one of direct state regulation of private actors but, rather, the enforcement of antitrust laws to avoid large accumulations of private power.

Fukuyama thinks that democratic federalism (subsidiarity) should hold precedence over uniform common standards in policy areas like health and the environment. Nevertheless, he strongly recommends federal policies toward equalizing outcomes as long as they target fluid categories, such as income, rather than group membership.

Fukuyama’s liberal vision of the good life in a modern pluralistic society is somewhat thinner than one suited for those living within a homogeneous society. Nonetheless, he maintains that the core values and benefits of classical liberalism are at risk from extremists on the left and right of the political spectrum.

Fukuyama’s central thesis in an earlier book, *The End of History and the Last Man* (1992), has not stood the test of time. There, he presented history as a progressive development in the social order achieved through the clashing of ideas and ending with the triumph in 1989 of economic liberalism and democracy. Fukuyama in *The End of History* discerned a linear dialectic unfolding in history to produce a universal homogeneous state. This state was liberal insofar as it protected the universal right to freedom through law and the consent of the governed with democracy. Reason along with universally accepted rights, Fukuyama concluded, gave the social order legitimacy (Hay 2022). In this recent book, he admits he was wrong.

In *Liberalism and Its Discontents*, Fukuyama acknowledges that classical liberalism has not triumphed. He places most of the blame on neoliberalism, evolving in the late 1970s, which dramatically increased economic inequality and led to global financial crises. Liberalism somehow became associated with market economics in the public’s mind, and, therefore, was assumed responsible for increasing economic inequality.
Fukuyama, in this recent book, notes how groups on the right, experiencing a loss of traditional cultural values, tend toward extreme nationalism, rejecting individualism. At the same time, groups on the left perceive that liberal societies do not offer equal treatment for all groups and may be incapable of doing so. *Liberalism and Its Discontents* is then an attempt to balance the criticism of both right and left ideologues, and Fukuyama’s newer insights have generally been positively received. This does not necessarily mean that his new book will change minds or affect policy. Nonetheless, the book functions as a useful examination of conscience for concerned American classical liberals.

Neoliberalism as a Threat to Classical Liberalism

Neoliberalism, coming to the fore in the late 1980s and 1990s, was representative of neither classical liberalism nor free enterprise, according to Fukuyama. With a large brush, he paints neoliberalism as a school of economics associated with Milton Friedman, Ludwig von Mises, and Friedrich Hayek. These economists, according to Fukuyama, denigrated the role of the state in the economy and justified pro-market, anti-statist policies pursued by Ronald Reagan and Margaret Thatcher.

Fukuyama accuses certain neoliberal policies, tellingly not detailed, of destabilizing the global economy. He indicates that the World Bank and the International Monetary Fund encouraged draconian neoliberal austerity measures in the developing world under the so-called Washington consensus.

The draconian “austerity” that Fukuyama laments implies that the IMF and Washington were engaging in imperialism, usurping the sovereignty of nations. The difficulty with this is that any nation wishing to engage in international commerce cannot be released from the responsibility of managing its exchange rate, price stability, government spending, and tax policy. These measures are not so much austere as necessary for international loan conditionality.

Privatization, Fukuyama suggests, led to the dominance of clever oligarchs seizing property in the Soviet Union and elsewhere. However, Fukuyama overlooks the fact that Milton Friedman was one of the first to warn of this possibility in his popular early-eighties *Free to Choose* television series. From the beginning of the discipline, economists have recognized that free trade results in losses for workers and owners in certain domestic industries. Therefore, Friedman along with other economists emphasized the role of the state in relieving economic distress. These economists also frankly admitted that open immigration was inconsistent with large welfare transfers. Reagan and Thatcher, whatever their failings, can hardly be accused of being unpatriotic globalists or, for that matter, indifferent to a transcendental destiny.

Fukuyama’s peculiar vision of classical liberalism is compatible with a wider range of social protections, but he does admit that past government welfare programs
contributed to moral hazard, the breakup of traditional families, and bureaucracies protecting their self-interest. However, his objection to the 1996 Personal Responsibility and Work Opportunity Reconciliation Act, which returned control of welfare to the states, is inconsistent with his stated preference for federalism.

Fukuyama (2022, 93) does not “accuse the vast majority of economists of outright corruption”; but through their support for deregulation, a strict defense of property rights, and privatization, he believes they have fallen prey to the attractions of power and money. He charges that economists, more than other social scientists, suffer from “physics envy” (92), hoping to turn their discipline into something on a par with the natural sciences.

For Fukuyama, widely held norms determine how a society’s institutions function and determine outcomes. Much of his writing and public talks emphasize that formal institutions matter less than people think (see, e.g., 1997). Rather, formal institutions are undermined by discordant value systems, especially a loss of trust. For example, the national identity of Americans has traditionally been rooted in certain norms, not necessarily defined by the Constitution or any particular religion. It is characterized by the belief that bureaucratic appointments ought not to favor friends and relatives over people with formal credentials (Fukuyama 2008).

One need not accept Fukuyama’s criticism that growing libertarianism during the Reagan administration was uniquely responsible for the retreat from classical liberalism as well as the loss of trust in effective government. However, Fukuyama does have a point in noting that the shift toward a more skeptical view of government has contributed to political polarization. It is plausible that existing institutions have been somewhat delegitimized by relentless attacks on the effectiveness of policies, the integrity of politicians, and the possibility of ameliorating social distress.

A valid takeaway from Fukuyama’s critique of neoliberals and mainstream economists is that they have been too complacent about the real or perceived threat to certain domestic groups in maintaining their standard of living. Several industries have not adapted well. Perhaps, the quality of U.S. K–12 education did not scale as human and financial resources were diverted to colleges and universities. Skills required for rapidly changing technologies and global competition should have been anticipated by economists and other policy makers. Recent efforts to provide information on student performance, to increase competition between schools, and to provide vouchers are, we hope, not too late.

Restoring trust in classical liberalism cannot dispense with the consensus of market economists that free trade, market competition, and the protection of property rights are essential. Therefore, Fukuyama’s neoliberal thesis is both simplistic and incorrect from an author normally skilled in bringing forth nuances. Disparaging economists who have fought to preserve these liberties may well result in overall lower standards of living. Furthermore, it delegitimizes the standing of individuals, the family, and other associations, including firms, prior to the state.
Extreme Individualism at Odds with Classical Liberalism

According to Fukuyama, society’s acceptance of extreme personal autonomy threatens traditional culture, institutions, and national well-being. He sets out to explain how individualism, as a classical libertarian characteristic, lost its bearings and went off track.

Fukuyama traces extreme individualism back to Jean-Jacques Rousseau (1712–78), who argued that individuals need to recover their authentic inner selves and escape from the social rules that imprison them. Immanuel Kant (1724–1804) followed and recommended a personal sense of morality based on abstract rules of reason. Morality, therefore, need not assume absolute truths exogenous to the individual, such as, for example, the word of God. Fukuyama agrees that liberal universalism and equality are based on reason. However, he prefers the unique Anglo-American approach of allowing for the “natural rights” arguments of Thomas Hobbes, John Locke, and Thomas Jefferson.

In the 1970s, Anglo-American liberalism, influenced by John Rawls’s *Theory of Justice*, began to converge with the Continental approach. This unfortunate turn, according to Fukuyama, was due to Rawls’s error in absolutizing personal autonomy and choice over all other values. Freed from the dictates of nature and the constraints of social roles, the Rawlsian person was detached from reflecting on the good life and completely nonjudgmental about the choices of others. Thus, personal goals began to increasingly prioritize self-actualization above more pedestrian concerns like family and social solidarity. Fukuyama links Rousseau’s search for the inner self with a contemporary fixation on wellness and self-care movements.

Ultimately, extreme individualism weakens communal engagement, and this disassociation backfires in an increasing realization that the inner self is not sovereign but is rather heavily shaped by external forces.

A liberal vision, Fukuyama insists, does not require a Rousseauian separation from all cultural associations, but rather requires that individuals retain a degree of personal moral autonomy. He writes:

> At the heart of the liberal project is an assumption about human equality that when you strip away the customs and accumulated cultural baggage that each one of us carries there is an underlying moral core that all human beings share and can recognize in one another. It is the mutual recognition that makes possible democratic deliberation and choice. (2022, 91)

In Western Bible-based thought, individual choice does not extend to making moral law but simply obeying it. However, Fukuyama points out that this subservience is not unique to Western civilization, because no culture fails to hold adults responsible for obeying its rules. Historically, societies do not exempt members from personal accountability. Every legal system assumes that there is some reservoir of
choice, requiring individuals to remain accountable for their actions. Fukuyama identifies a serious problem: individual autonomy in recent times has broadened from making choices within an established moral framework to choosing the moral framework itself, not just for the individual but also for the group enclosing the individual.

Eliminating the confusion between liberty and autonomy requires recovering a consensus about human anthropology. Individuals, as Adam Smith wrote, require recognition and confirming associations. According to Fukuyama, neoliberalism holds that group memberships are merely voluntary and based on contract, whereas the Left sees knowledge as embedded in life experiences such that individual choice is not an abstract cognitive act.

Fukuyama thinks that anti-liberal arguments pioneered by the discontented progressive Left have drifted over to the discontented populist Right, and he is quite explicit in condemning both.

The Discontented Right

Fukuyama criticizes those on the Right who regard themselves as members of a beleaguered identity group. He suggests that Classical liberals acknowledge the need for government and move part demonizing the state as an enemy of economic growth and individual freedom. Discontented Rightists, like conspiratorial leftists, argue that certain pandemic shutdowns inevitably reflected “objective” hidden political motives. Finally, right-wing extremists in the U.S. do not fight, according to Fukuyama, to preserve a liberal order. Rather, they are fighting to preserve their position.

Fukuyama connects private oligarchs in Italy, Hungary, and Turkey with the Right and believes they use their control of media to cement their political power and family wealth. As can be seen in Russia and China, the first target of any authoritarian regime is to use technology to maintain control and facilitate surveillance. In addition, he warns that empowered individuals single-handedly spread misinformation by manipulating sophisticated platforms that undermine the authority of existing hierarchies, which contain the expertise that Fukuyama values.

As a matter of practical politics, Fukuyama disagrees with conservative intellectuals such as Sohrab Ahmari, Adrian Vermeule, Yoram Hazony, and Patrick Deneen. These conservatives argue that liberalism constitutes a form of anticulture associated with the destruction of standards of moral behavior, and blame market capitalism for eroding values of family, community, and tradition. Fukuyama shares many of their nonmarket beliefs. He also agrees that liberal societies are self-indulgently consumerist, fail to provide a strong sense of community, are too permissive, and disrespect deeply held values. In addition, he says manipulative elites indifferent to the wishes of ordinary people dominate these societies. But, for Fukuyama, classical liberalism is the best means of ensuring traditional values in a pluralistic society, even though he objects to the coercion required to support legislated traditional values.
Fukuyama warns against conservatives canceling democratic elections rather than managing social change. He suggests that they deal with the shifting racial and ethnic mix and recognize that gender roles have changed profoundly. Fukuyama also takes issue, in the context of racial history, with the Right’s criticism of the role of courts and bureaucracy in ensuring civil rights. Voters and their representatives have not always chosen policies consistent with liberal principles. He argues that liberal democracy does not grant untrammeled power to majorities; as the founders understood, people make bad choices. Is Fukuyama suggesting that discussions about bureaucratic excess or election integrity are out of line or unique to the discontented Right?

The Discontented Left

Turning his attention to the Left, Fukuyama observes leftist extremists tending to anarchism rather than statism. He is concerned that a postliberal society would be willing to inject race, gender, gender preference, and other identity categories into primary considerations for hiring, promotion, and access to health, education, and other sectors. Such a society downgrades meritocracy and could abandon efforts to manage its borders. Fukuyama warns that a leftist postliberal government would tend toward providing generous social services, nationalizing the financial system, and shifting investments toward preventing climate change. Fukuyama is not explicit about any serious objections he might have to these measures.

Fukuyama sees identity politics emerging as an effort to fulfill the promise of liberalism, namely universal equality. He believes that most Americans are in accord with him in supporting policies to remediate differences rather than vesting fundamental rights in involuntary groups based on fixed characteristics. He laments the Left’s willingness to discount meritocracy. Meritocracy is neither an attempt to discriminate against groups nor a unique characteristic of classical liberalism. Rather, he correctly points out that China, as early as 221 BC, and the Byzantine Empire found standardized testing more effective than kinship in selecting officials.

Defining a Nation

Fukuyama warns that when diverse societies move away from liberal principles and base national identity on characteristics such as race, ethnicity, religion, etc., they are inviting violent conflict. How then does liberal theory draw clear boundaries around its community and define what is due to people inside and outside those boundaries? Fukuyama notes that some liberals think of themselves as world citizens, but he is committed to the nation as the boundary of the largest unit of solidarity. Therefore, he cautions against extreme devolution on one hand, and subservience to international organizations on the other.
If, then, the nation remains the boundary of the largest unit of solidarity, how can it be shaped to support liberal values? Although nations have demarcated cultural units, these groups cannot survive without establishing a hierarchy of factual truths, a few of which Fukuyama outlines. First, liberal rights are meaningless unless enforced by a state, and all societies use force in situations in which members are unwilling to give up some autonomy for state protection. Second, he realizes that nations’ enforcement methods differ; therefore, a nation should not delegate the enforcement of rights to international bodies or seek to remake the rest of the world in its image. Finally, consistent with his great respect for professional expertise, Fukuyama accepts that courts, scientific journals, and the mainstream media are capable of bias. However, given freedom of speech, these institutions cannot be deliberately engineered by self-serving elites.

The reader of *Liberalism and Its Discontents* is left wondering if Fukuyama thinks a reversion to classical liberalism is possible. Perhaps he hopes that his critiques will initiate a change in American contemporary statecraft. Just how will this come about? What are the mechanisms of action? Fukuyama’s book, a description of the retreat from classical liberalism, leaves readers in the dark.

Elsewhere, writing about policy incoherence in Latin America, Fukuyama is more explicit about politically initiated change. Latin American countries modeled many of their political institutions on those of the U.S. but experienced different outcomes. He notes that in some countries, formal institutions can be changed with the stroke of a pen, reducing an administration’s legitimacy in the eyes of the public. On the other hand, he writes, “Technocratic experts can see the long-term logic of [their] policies, but ordinary voters and politicians might not; therefore a developing country in this position needs a decisive political system that will shield technocratic experts from populist demand and push through long-term public-regarding policies” (2008, 208).

When decisive policies are successful, a good administration legitimizes itself in the eyes of the public. Leadership is important, according to Fukuyama. However, he states, “Economists generally do not like to talk about independent variables like leadership because it amounts to throwing a massive random-number generator into their models” (212). Fukuyama values good leadership but recognizes that leadership elites can avoid or manipulate the rule of law to their convenience. His helpful discussion of effective and legitimate government still raises the question of how informal institutions and norms become embedded in social practice.

Fukuyama suggests that leaders use the bully pulpit to support norms, but this is hardly sufficient. He recognizes the dense networks of family, firms, and voluntary civil society organizations found in classically liberal societies, but he does not emphasize their role and importance. How do individuals learn the behaviors associated with classical liberalism, such as respect for the law and a willingness to follow agreed-upon rights and procedures? Formal institutions provide a sense of identity.
and connection, as well as the practice necessary to embed behaviors necessary for the good of society as a whole. Nonstate institutions matter. Can the center hold in a pluralistic democracy in the absence of these associations? They are the essential transmission mechanisms for persons learning how to cooperate and overcome the extreme individualism that Fukuyama laments.

Certainly, Fukuyama is correct in warning that the U.S. should not try to remake other countries into its image. Nevertheless, this does not preclude speaking out firmly and clearly for the principles of fundamental justice in response to citizens of any country demanding their rights. In addition, while Fukuyama acknowledges the nation as the largest unit of solidarity, he does not recognize that maintaining sovereignty is beyond the expertise of classical liberalism. Real politics cannot be dismissed or ignored.

A Loss of Faith in Rational Discourse Threatens Classical Liberalism

Classical liberalism assumes an objective reality, understandable and manageable, outside the human mind. Thus, it has been strongly associated with empirical observation and experimental methods. The scientific method was a factor in liberalism’s historical struggle against “entrenched religion.” Now, not only is the experimental method being questioned but, unfortunately, according to Fukuyama, modern societies have been living with moral relativism, asserting the essential subjectivity of all value systems.

In the 1960s and 1970s, according to Fukuyama, Jacques Derrida and others propagated a form of radical subjectivity; such subjectivity suggests that the perceived external world is created by the words used in talking about it. Fukuyama maintains that subjectivity has contributed to increasing paranoia on both the Right and the Left, resulting in an expansive understanding of what constitutes harm. Both groups, he thinks, are similar in valuing raw feeling and emotion over cold empirical analysis; they have abandoned rational discourse.

Fukuyama’s misgivings about the substitution of the therapeutic for reason are valid, but he does not follow through in showing how this insight relates to real issues threatening the legitimacy of the state. What appears to some, including Fukuyama, as irrational discourse may be purposeful on the part of those pursuing power or what they perceive as “final ends.” Neither The End of History nor Liberalism and Its Discontents is helpful in explaining movements such as Europe’s denationalization or the futile attempts of the U.S. to inculcate democracy and free markets around the world (Seaton 2022).

Fukuyama stresses that classical liberalism permits individuals to pursue final ends. However, the mechanism of action for him in explaining progress and changes over time reduces to a soft technological determinism. This does not give space for
thinking about final ends in terms, for example, of biblical salvation history, a final reckoning, or a strong commitment to a widely held normative consensus.

The retreat from philosophical liberalism, which Fukuyama laments, parallels—and may be driven by—indifference to faith. If the transcendental or other absolutes in an imperfect world do not set the standard, we are left with a type of group struggle in determining the “Good” (Klavan 2022). Thus, it is not surprising that Yoram Hazony, a conservative champion of the nation-state, and Irving Kristol, the godfather of neoconservatism, both criticize the American founders for failing to create a formal role for religion in the Constitution (McCarthy 2022).

Public officials in general understand that society cannot exist without some means of restraining the tendency for individuals and groups to prey on one another. Individuals need a moral compass, generally formed through families and culture. Otherwise, the state must exercise the coercive power necessary to restrain those who cannot restrain themselves. Fukuyama accepts the role of natural law in Anglo-classical liberalism, functioning as a constraint on majority voting, but he marginalizes the Christian roots of liberalism (McAleer 2022).

To deal with the need of providing a generally accepted ethical base, liberals like Fukuyama appear to accept a utilitarian role for religion, one indifferent to doctrinal distinctions. Adam Smith, a classical liberal prototype, even suggested that governments consider financing religious training. Fostering civility is reductionist in terms of religious aspirations concerning final ends. However, faith groups have generally been freely willing to assume this role!

How should Americans deal with the tension between legal restraints on antisocial conduct and individual liberty? Can reason replace faith? Can devotion shift from church to state? American Puritans birthed a new society founded on a compact that combined the biblical concern for piety, the classical concern for civic virtue, and the modern concern for protecting individual rights (Zubia 2022). The U.S. needs practitioners of the prudential art of maintaining the legitimacy of the state in encoding and enforcing standards of behavior while, at the same time, ensuring personal and institutional liberty.

William Barr (2022) argues that the separation of the two realms, secular and religious, does not mean ostracizing religion from worldly affairs, but rather dividing labor and autonomy within their respective spheres. This bifurcation of influence in preserving civil society allows for personal freedom and moderates the ambitions of the government. Barr’s concept of sphere sovereignty is critical, not just in terms of church and state, but in family, education, profit-seeking firms, and voluntary organizations. Retaining autonomy for intermediary organizations is a challenge when those arguing for strict separation of church and state force secular values on people of faith and private institutions.

American classical liberals need help in figuring out what their political role is in an increasingly secular pluralistic society … or, at least, how they can maintain
control within their realms! Fukuyama appears to advocate a passive laissez-faire approach. He advocates for tolerance and a zone of privacy, at least for professionals, the press, and certain associations. It is not clear how or if Fukuyama would extend this private zone to families and other nongovernment entities. Maintaining liberty comes at a personal cost, and Fukuyama and some classical liberals have been too coy and, dare we say, individualistic about the need to step up and preserve these freedoms. A “fusionist,” on the other hand, forfeits personal autonomy as a primary political goal and agrees that the application of freedom to circumstances requires a grassroots engagement in political action (Devine 2022).

Undoubtedly, Fukuyama agrees that each person, as a rational creature, should be given opportunities to strive toward his or her personal ends. It is not clear, however, how he would limit society’s fiduciary responsibility in transferring income other than a last resort in caring for dependent children and those incapacitated. He suggests that the primary role of government is to maintain domestic harmony by striving toward an equalization of wealth and income. In hindering individuals’ opportunities with rules, regulations, and burdensome taxation, such a state could encourage tax evasion and outward migration of the affluent. To deal with dependency, the state might need to become quite coercive. Fukuyama’s emphasis on harmony, in line with classical philosophy, focuses less on potential state tyranny and more on dysfunctional government and the corruptibility of individual politicians. What measures in the coming thirty years might approximate Fukuyama’s quest and restore a commitment to classical liberalism? Initiatives would consist of a government committed to the rule of law, a more effective government, and greater respect for and acceptance of reason embodied in technology, professional expertise, and the division of labor. Fukuyama overestimates how a revival of classical liberalism can address fading government sovereignty, both domestic and international. He underestimates the need for protecting independent families, firms, and other organizations ahead of the state in validating personal identities, providing a sense of place and purpose, and inculcating norms.

References


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