

14 MARCH 1979

American neo-liberalism (I). Its context. ~ The difference between American and European neo-liberalism. ~ American neo-liberalism as a global claim, utopian focus, and method of thought. ~ Aspects of this neo-liberalism: (1) The theory of human capital. The two processes that it represents: (a) an extension of economic analysis within its own domain: criticism of the classical analysis of labor in terms of the time factor; (b) an extension of economic analysis to domains previously considered to be non-economic. ~ The epistemological transformation produced by neo-liberal analysis: from the analysis of economic processes to the analysis of the internal rationality of human behavior. ~ Work as economic conduct. ~ Its division into capital, abilities, and income. ~ The redefinition of homo oeconomicus as entrepreneur of himself. ~ The notion of "human capital." Its constitutive elements: (a) innate elements and the question of the improvement of genetic human capital; (b) acquired elements and the problem of the formation of human capital (education, health, etcetera). ~ The interest of these analyses: resumption of the problem of social and economic innovation (Schumpeter). A new conception of the policy of growth.

TODAY* I WOULD LIKE to start talking to you about what is becoming a pet theme in France: American neo-liberalism.¹ Obviously, I will only

* At the beginning of the lecture Foucault announces that he "will have to leave at eleven o'clock, because [he has] a meeting."

consider some aspects and those that may have some relevance for the kind of analysis I am suggesting.²

Naturally, we will start with some banalities. American neo-liberalism developed in a context not that different from the contexts in which German neo-liberalism and what we could call French neo-liberalism developed. That is to say, the three main contextual elements of the development of neo-liberalism were, first: the New Deal and criticism of the New Deal and what we can broadly call the Keynesian policy developed by Roosevelt from 1933-34. The first, fundamental text of this American neo-liberalism, written in 1934 by Simons,³ who was the father of the Chicago School, is an article entitled "A Positive Program for Laissez-Faire."⁴

The second contextual element is of course the Beveridge plan and all the projects of economic and social interventionism developed during the war.⁵ These are all important elements that we could call, if you like, pacts of war, that is to say, pacts in terms of which governments—basically the English, and to a certain extent the American government—said to people who had just been through a very serious economic and social crisis: Now we are asking you to get yourselves killed, but we promise you that when you have done this, you will keep your jobs until the end of your lives. It would be very interesting to study this set of documents, analyses, programs, and research for itself, because it seems to me that, if I am not mistaken, this is the first time that entire nations waged war on the basis of a system of pacts which were not just international alliances between powers, but social pacts of a kind that promised—to those who were asked to go to war and get themselves killed—a certain type of economic and social organization which assured security (of employment, with regard to illness and other kinds of risk, and at the level of retirement): they were pacts of security at the moment of a demand for war. The demand for war on the part of governments is accompanied—and very quickly; there are texts on the theme from 1940—by this offer of a social pact and security. It was against this set of social problems that Simons drafted a number of critical texts and articles, the most interesting of which is entitled: "The Beveridge Program: an unsympathetic interpretation," which there is no need to translate, since the title indicates its critical sense.⁶

The third contextual element was obviously all the programs on poverty, education, and segregation developed in America from the Truman⁷ administration up to the Johnson⁸ administration, and through these programs, of course, state interventionism and the growth of the federal administration, etcetera.

I think these three elements—Keynesian policy, social pacts of war, and the growth of the federal administration through economic and social programs—together formed the adversary and target of neo-liberal thought, that which it was constructed against or which it opposed in order to form itself and develop. You can see that this is clearly the same type of context as that which we find in France, for example, where neo-liberalism defined itself through opposition to the Popular Front,⁹ post-war Keynesian policies, [and] planning.

Nevertheless, I think there are some major differences between European and American neo-liberalism. They are also very obvious, as we know. I will just recall them. In the first place, American liberalism, at the moment of its historical formation, that is to say, very early on, from the eighteenth century, did not present itself, as in France, as a moderating principle with regard to a pre-existing *raison d'État*, since liberal type claims, and essentially economic claims moreover, were precisely the historical starting point for the formation of American independence.¹⁰ That is to say, liberalism played a role in America during the period of the War of Independence somewhat analogous to the role it played in Germany in 1948: liberalism was appealed to as the founding and legitimizing principle of the state. The demand for liberalism founds the state rather than the state limiting itself through liberalism. I think this is one of the features of American liberalism.

Second, for two centuries—whether the issue has been one of economic policy, protectionism, the problem of gold and silver, or bimetallism, the question of slavery, the problem of the status and function of the judicial system, or the relation between individuals and different states, and between different states and the federal state—liberalism has, of course, always been at the heart of all political debate in America. We can say that the question of liberalism has been the recurrent element of all the political discussions and choices of the United States. Let's say that whereas in Europe the recurrent elements of political debate in the

nineteenth century were either the unity of the nation, or its independence, or the Rule of law, in the United States it was liberalism.

Finally, third, in relation to this permanent ground of liberal debate, non-liberalism—by which I mean interventionist policies, whether in the form of Keynesian style economics, planning, or economic and social programs—appeared, especially from the middle of the twentieth century, as something extraneous and threatening inasmuch as it involved both introducing objectives which could be described as socializing and also as laying the bases of an imperialist and military state. Criticism of this non-liberalism was thus able to find a double foothold: on the right, precisely in the name of a liberal tradition historically and economically hostile to anything sounding socialist, and on the left, inasmuch as it was a question not only of criticism but also of daily struggle against the development of an imperialist and military state. Hence the ambiguity, or what appears to be an ambiguity in American neo-liberalism, since it is brought into play and reactivated both by the right and the left.

Anyway, I think we can say that for all these completely banal reasons I have just mentioned, American liberalism is not—as it is in France at present, or as it was in Germany immediately after the war—just an economic and political choice formed and formulated by those who govern and within the governmental milieu. Liberalism in America is a whole way of being and thinking. It is a type of relation between the governors and the governed much more than a technique of governors with regard to the governed. Let's say, if you like, that whereas in a country like France disputes between individuals and the state turn on the problem of service, of public service, [in the United States] disputes between individuals and government look like the problem of freedoms. I think this is why American liberalism currently appears not just, or not so much as a political alternative, but let's say as a sort of many-sided, ambiguous, global claim with a foothold in both the right and the left. It is also a sort of utopian focus which is always being revived. It is also a method of thought, a grid of economic and sociological analysis. I will refer to someone who is not an American exactly, he is an Austrian whom I have spoken about several times, but who then lived in England and the United States before returning to Germany. Some years ago Hayek said: We need a liberalism that is a living thought. Liberalism has

always left it to the socialists to produce utopias, and socialism owes much of its vigor and historical dynamism to this utopian or utopia-creating activity. Well, liberalism also needs utopia. It is up to us to create liberal utopias, to think in a liberal mode, rather than presenting liberalism as a technical alternative for government.¹¹ Liberalism must be a general style of thought, analysis, and imagination.

These then, baldly stated, are some of the general features that may enable us to make a bit of a distinction between American neo-liberalism and the neo-liberalism that we have seen implemented in Germany and France. It is precisely through this mode of thought, style of analysis, and this grid of historical and sociological decipherment that I would like to bring out some aspects of American neo-liberalism, it being understood that I have no desire and it is not possible to study it in all its dimensions. In particular, I would like to consider two elements which are at once methods of analysis and types of programming, and which seem to me to be interesting in this American neo-liberal conception: first, the theory of human capital, and second, for reasons you will be able to guess, of course, the problem of the analysis of criminality and delinquency.

First, the theory of human capital.¹² I think the interest of this theory of human capital is that it represents two processes, one that we could call the extension of economic analysis into a previously unexplored domain, and second, on the basis of this, the possibility of giving a strictly economic interpretation of a whole domain previously thought to be non-economic.

First, an extension of economic analysis within, as it were, its own domain, but precisely on a point where it had remained blocked or at any rate suspended. In effect, the American neo-liberals say this: It is strange that classical political economy has always solemnly declared that the production of goods depends on three factors—land, capital, and labor—while leaving the third unexplored. It has remained, in a way, a blank sheet on which the economists have written nothing. Of course, we can say that Adam Smith's economics does begin with a reflection on labor, inasmuch as for Smith the division of labor and its specification is the key which enabled him to construct his economic analysis.¹³ But apart from this sort of first step, this first opening, and

since that moment, classical political economy has never analyzed labor itself, or rather it has constantly striven to neutralize it, and to do this by reducing it exclusively to the factor of time. This is what Ricardo did when, wishing to analyze the nature of the increase of labor, the labor factor, he only ever defined this increase in a quantitative way according to the temporal variable. That is to say, he thought that the increase or change of labor, the growth of the labor factor, could be nothing other than the presence of an additional number of workers on the market, that is to say, the possibility of employing more hours of labor thus made available to capital.¹⁴ Consequently there is a neutralization of the nature itself of labor, to the advantage of this single quantitative variable of hours of work and time, and basically classical economics never got out of this Ricardian reduction of the problem of labor to the simple analysis of the quantitative variable of time.¹⁵ And then we find an analysis, or rather non-analysis of labor in Keynes which is not so different or any more developed than Ricardo's analysis. What is labor according to Keynes? It is a factor of production, a productive factor, but which in itself is passive and only finds employment, activity, and actuality thanks to a certain rate of investment, and on condition clearly that this is sufficiently high.¹⁶ Starting from this criticism of classical economics and its analysis of labor, the problem for the neo-liberals is basically that of trying to introduce labor into the field of economic analysis. A number of them attempted this, the first being Theodore Schultz,¹⁷ who published a number of articles in the years 1950-1960 the result of which was a book published in 1971 with the title *Investment in Human Capital*.¹⁸ More or less at the same time, Gary Becker¹⁹ published a book with the same title,²⁰ and then there is a third text by Mincer,²¹ which is quite fundamental and more concrete and precise than the others, on the school and wages, which appeared in 1975.²²

In truth, the charge made by neo-liberalism that classical economics forgets labor and has never subjected it to economic analysis may seem strange when we think that, even if it is true that Ricardo entirely reduced the analysis of labor to the analysis of the quantitative variable of time, on the other hand there was someone called Marx who ... and so on. Fine. The neo-liberals practically never argue with Marx for reasons that we may think are to do with economic snobbery, it's not important.

But if they took the trouble to argue with Marx I think it is quite easy to see what they could say [about] his analysis. They would say: It is quite true that Marx makes labor the linchpin, one of the essential linchpins, of his analysis. But what does he do when he analyzes labor? What is it that he shows the worker sells? Not his labor, but his labor power. He sells his labor power for a certain time against a wage established on the basis of a given situation of the market corresponding to the balance between the supply and demand of labor power. And the work performed by the worker is work that creates a value, part of which is extorted from him. Marx clearly sees in this process the very mechanics or logic of capitalism. And in what does this logic consist? Well, it consists in the fact that the labor in all this is "abstract,"* that is to say, the concrete labor transformed into labor power, measured by time, put on the market and paid by wages, is not concrete labor; it is labor that has been cut off from its human reality, from all its qualitative variables, and precisely—this is indeed, in fact, what Marx shows—the logic of capital reduces labor to labor power and time. It makes it a commodity and reduces it to the effects of value produced.

Now, say the neo-liberals—and this is precisely where their criticism departs from the criticism made by Marx—what is responsible for this "abstraction."† For Marx, capitalism itself is responsible; it is the fault of the logic of capital and of its historical reality. Whereas the neo-liberals say: The abstraction of labor, which actually only appears through the variable of time, is not the product of real capitalism, [but] of the economic theory that has been constructed of capitalist production. Abstraction is not the result of the real mechanics of economic processes; it derives from the way in which these processes have been reflected in classical economics. And it is precisely because classical economics was not able to take on this analysis of labor in its concrete specification and qualitative modulations, it is because it left this blank page, gap or vacuum in its theory, that a whole philosophy, anthropology, and politics, of which Marx is precisely the representative, rushed

* In inverted commas in the manuscript.

† In inverted commas in the manuscript.

in. Consequently, we should not continue with this, in a way, realist criticism made by Marx, accusing real capitalism of having made real labor abstract; we should undertake a theoretical criticism of the way in which labor itself became abstract in economic discourse. And, the neo-liberals say, if economists see labor in such an abstract way, if they fail to grasp its specification, its qualitative modulations, and the economic effects of these modulations, it is basically because classical economists only ever envisaged the object of economics as processes of capital, of investment, of the machine, of the product, and so on.

I think this is the general context in which we should situate the neo-liberal analyses. However, the essential epistemological transformation of these neo-liberal analyses is their claim to change what constituted in fact the object, or domain of objects, the general field of reference of economic analysis. In practice, economic analysis, from Adam Smith to the beginning of the twentieth century, broadly speaking takes as its object the study of the mechanisms of production, the mechanisms of exchange, and the data of consumption within a given social structure, along with the interconnections between these three mechanisms. Now, for the neo-liberals, economic analysis should not consist in the study of these mechanisms, but in the nature and consequences of what they call substitutable choices, that is to say, the study and analysis of the way in which scarce means are allocated to competing ends, that is to say, to alternative ends which cannot be superimposed on each other.²³ In other words, we have scarce means, and we do not have a single end or cumulative ends for which it is possible to use these means, but ends between which we must choose, and the starting point and general frame of reference for economic analysis should be the way in which individuals allocate these scarce means to alternative ends.

In this they return to, or rather put to work, a definition of the object of economics which was put forward around 1930 or 1932, I no longer remember, by Robbins,²⁴ who, in this respect at least, may also be taken as one of the founders of the doctrine of economic liberalism: "Economics is the science of human behavior as a relationship between ends and scarce means which have mutually exclusive uses."²⁵ You can see that this definition of economics does not identify its task as the analysis of a relational mechanism between things or processes, like

capital, investment, and production, into which, given this, labor is in some way inserted only as a cog; it adopts the task of analyzing a form of human behavior and the internal rationality of this human behavior. Analysis must try to bring to light the calculation—which, moreover, may be unreasonable, blind, or inadequate—through which one or more individuals decided to allot given scarce resources to this end rather than another. Economics is not therefore the analysis of processes; it is the analysis of an activity. So it is no longer the analysis of the historical logic of processes; it is the analysis of the internal rationality, the strategic programming of individuals' activity.

This means undertaking the economic analysis of labor. What does bringing labor back into economic analysis mean? It does not mean knowing where labor is situated between, let's say, capital and production. The problem of bringing labor back into the field of economic analysis is not one of asking about the price of labor, or what it produces technically, or what is the value added by labor. The fundamental, essential problem, anyway the first problem which arises when one wants to analyze labor in economic terms, is how the person who works uses the means available to him. That is to say, to bring labor into the field of economic analysis, we must put ourselves in the position of the person who works; we will have to study work as economic conduct practiced, implemented, rationalized, and calculated by the person who works. What does working mean for the person who works? What system of choice and rationality does the activity of work conform to? As a result, on the basis of this grid which projects a principle of strategic rationality on the activity of work, we will be able to see in what respects and how the qualitative differences of work may have an economic type of effect. So we adopt the point of view of the worker and, for the first time, ensure that the worker is not present in the economic analysis as an object—the object of supply and demand in the form of labor power—but as an active economic subject.

Fine, how do we set about this task? People like Schultz and Becker say: Why, in the end, do people work? They work, of course, to earn a wage. What is a wage? A wage is quite simply an income. From the point of view of the worker, the wage is an income, not the price at which he sells his labor power. Here, the American neo-liberals refer to

the old definition, which goes right back to the start of the twentieth century, of Irving Fisher,²⁶ who said: What is an income? How can we define an income? An income is quite simply the product or return on a capital. Conversely, we will call "capital" everything that in one way or another can be a source of future income.²⁷ Consequently, if we accept on this basis that the wage is an income, then the wage is therefore the income of a capital. Now what is the capital of which the wage is the income? Well, it is the set of all those physical and psychological factors which make someone able to earn this or that wage, so that, seen from the side of the worker, labor is not a commodity reduced by abstraction to labor power and the time [during] which it is used. Broken down in economic terms, from the worker's point of view labor comprises a capital, that is to say, it as an ability, a skill; as they say: it is a "machine."²⁸ And on the other side it is an income, a wage, or rather, a set of wages; as they say: an earnings stream.²⁹

This breakdown of labor into capital and income obviously has some fairly important consequences. First, if capital is thus defined as that which makes a future income possible, this income being a wage, then you can see that it is a capital which in practical terms is inseparable from the person who possesses it. To that extent it is not like other capitals. Ability to work, skill, the ability to do something cannot be separated from the person who is skilled and who can do this particular thing. In other words, the worker's skill really is a machine, but a machine which cannot be separated from the worker himself, which does not exactly mean, as economic, sociological, or psychological criticism said traditionally, that capitalism transforms the worker into a machine and alienates him as a result. We should think of the skill that is united with the worker as, in a way, the side through which the worker is a machine, but a machine understood in the positive sense, since it is a machine that produces* an earnings stream. An earnings stream and not an income, precisely because the machine constituted by the worker's ability is not, as it were, sold from time to time on the labor market against a certain wage. In reality this machine has a lifespan, a

* Foucault adds: and which will produce something that are

length of time in which it can be used, an obsolescence, and an ageing. So that we should think of the machine constituted by the worker's ability, the machine constituted by, if you like, ability and worker individually bound together, as being remunerated over a period of time by a series of wages which, to take the simplest case, will begin by being relatively low when the machine begins to be used, then will rise, and then will fall with the machine's obsolescence or the ageing of the worker insofar as he is a machine. We should therefore view the whole as a machine/stream complex, say the neo-economists—all this is in Schultz³⁰ is it not—it is therefore a machine-stream ensemble, and you can see that we are at the opposite extreme of a conception of labor power sold at the market price to a capital invested in an enterprise. This is not a conception of labor power; it is a conception of capital-ability which, according to diverse variables, receives a certain income that is a wage, an income-wage, so that the worker himself appears as a sort of enterprise for himself. Here, as you can see, the element I pointed out earlier in German neo-liberalism, and to an extent in French neo-liberalism, is pushed to the limit, that is to say, the idea that the basic element to be deciphered by economic analysis is not so much the individual, or processes and mechanisms, but enterprises. An economy made up of enterprise-units, a society made up of enterprise-units, is at once the principle of decipherment linked to liberalism and its programming for the rationalization of a society and an economy.

I would say that in a sense, and this is what is usually said, neo-liberalism appears under these conditions as a return to *homo oeconomicus*. This is true, but as you can see, with a considerable shift, since what is *homo oeconomicus*, economic man, in the classical conception? Well, he is the man of exchange, the partner, one of the two partners in the process of exchange. And this *homo oeconomicus*, partner of exchange, entails, of course, an analysis in terms of utility of what he is himself, a breakdown of his behavior and ways of doing things, which refer, of course, to a problematic of needs, since on the basis of these needs it will be possible to describe or define, or anyway found, a utility which leads to the process of exchange. The characteristic feature of the classical conception of *homo oeconomicus* is the partner of exchange and the theory of utility based on a problematic of needs.

In neo-liberalism—and it does not hide this; it proclaims it—there is also a theory of *homo oeconomicus*, but he is not at all a partner of exchange. *Homo oeconomicus* is an entrepreneur, an entrepreneur of himself. This is true to the extent that, in practice, the stake in all neo-liberal analyses is the replacement every time of *homo oeconomicus* as partner of exchange with a *homo oeconomicus* as entrepreneur of himself, being for himself his own capital, being for himself his own producer, being for himself the source of [his] earnings. And I will not talk about it here, because it would take too long, but in Gary Becker there is a very interesting theory of consumption,³¹ in which he says: We should not think at all that consumption simply consists in being someone in a process of exchange who buys and makes a monetary exchange in order to obtain some products. The man of consumption is not one of the terms of exchange. The man of consumption, insofar as he consumes, is a producer. What does he produce? Well, quite simply, he produces his own satisfaction.³² And we should think of consumption as an enterprise activity by which the individual, precisely on the basis of the capital he has at his disposal, will produce something that will be his own satisfaction. Consequently, the theory, the classical analysis trotted out a hundred times of the person who is a consumer on the one hand, but who is also a producer, and who, because of this, is, as it were, divided in relation to himself, as well as all the sociological analyses—for they have never been economic analyses—of mass consumption, of consumer society, and so forth, do not hold up and have no value in relation to an analysis of consumption in the neo-liberal terms of the activity of production. So, even if there really is a return to the idea of *homo oeconomicus* as the analytical grid of economic activity, there is a complete change in the conception of this *homo oeconomicus*.

So, we arrive at this idea that the wage is nothing other than the remuneration, the income allocated to a certain capital, a capital that we will call human capital inasmuch as the ability-machine of which it is the income cannot be separated from the human individual who is its bearer.³³ How is this capital made up? It is at this point that the reintroduction of labor or work into the field of economic analysis will make it possible, through a sort of acceleration or extension, to move on to the economic analysis of elements which had previously totally escaped it.

In other words, the neo-liberals say that labor was in principle part of economic analysis, but the way in which classical economic analysis was conducted was incapable of dealing with this element. Good, we do deal with it. And when they make this analysis, and do so in the terms I have just described, they are led to study the way in which human capital is formed and accumulated, and this enables them to apply economic analyses to completely new fields and domains.

How is human capital made up? Well, they say, it is made up of innate elements and other, acquired elements.³⁴ Let's talk about the innate elements. There are those we can call hereditary, and others which are just innate; differences which are, of course, self-evident for anyone with the vaguest acquaintance with biology. I do not think that there are as yet any studies on the problem of the hereditary elements of human capital, but it is quite clear what form they could take and; above all, we can see through anxieties, concerns, problems, and so on, the birth of something which, according to your point of view, could be interesting or disturbing. In actual fact, in the—I was going to say, classical—analyses of these neo-liberals, in the analyses of Schultz or Becker, for example, it is indeed said that the formation of human capital only has interest and only becomes relevant for the economists inasmuch as this capital is formed thanks to the use of scarce means, to the alternative use of scarce means for a given end. Now obviously we do not have to pay to have the body we have, or we do not have to pay for our genetic make-up. It costs nothing. Yes, it costs nothing—and yet, we need to see ... , and we can easily imagine something like this occurring (I am just engaging in a bit of science fiction here, it is a kind of problematic which is currently becoming pervasive).

In fact, modern genetics clearly shows that many more elements than was previously thought are conditioned by the genetic make-up we receive from our ancestors. In particular, genetics makes it possible to establish for any given individual the probabilities of their contracting this or that type of disease at a given age, during a given period of life, or in any way at any moment of life. In other words, one of the current interests in the application of genetics to human populations is to make it possible to recognize individuals at risk and the type of risk individuals incur throughout their life. You will say: Here again, there's

nothing we can do; our parents made us like this. Yes, of course, but when we can identify what individuals are at risk, and what the risks are of a union of individuals at risk producing an individual with a particular characteristic that makes him or her the carrier of a risk, then we can perfectly well imagine the following: good genetic make-ups—that is to say, [those] able to produce individuals with low risk or with a level of risk which will not be harmful for themselves, those around them, or society—will certainly become scarce, and insofar as they are scarce they may perfectly well [enter], and this is entirely normal, into economic circuits or calculations, that is to say, alternative choices. Putting it in clear terms, this will mean that given my own genetic make-up, if I wish to have a child whose genetic make-up will be at least as good as mine, or as far as possible better than mine, then I will have to find someone who also has a good genetic make-up. And if you want a child whose human capital, understood simply in terms of innate and hereditary elements, is high, you can see that you will have to make an investment, that is to say, you will have to have worked enough, to have sufficient income, and to have a social status such that it will enable you to take for a spouse or co-producer of this future human capital, someone who has significant human capital themselves. I am not saying this as a joke; it is simply a form of thought or a form of problematic that is currently being elaborated.³⁵

What I mean is that if the problem of genetics currently provokes such anxiety, I do not think it is either useful or interesting to translate this anxiety into the traditional terms of racism. If we want to try to grasp the political pertinence of the present development of genetics, we must do so by trying to grasp its implications at the level of actuality itself, with the real problems that it raises. And as soon as a society poses itself the problem of the improvement of its human capital in general, it is inevitable that the problem of the control, screening, and improvement of the human capital of individuals, as a function of unions and consequent reproduction, will become actual, or at any rate, called for. So, the political problem of the use of genetics arises in terms of the formation, growth, accumulation, and improvement of human capital. What we might call the racist effects of genetics is certainly

something to be feared, and they are far from being eradicated, but this does not seem to me to be the major political issue at the moment.

Fine, let's leave this problem of investment in and the costly choice of the formation of a genetic human capital. Obviously, the neo-liberals pose their problems and set out their new type of analysis much more from the angle of acquired human capital, that is to say, of the more or less voluntary formation of human capital in the course of individuals' lives. What does it mean to form human capital, and so to form these kinds of abilities-machines which will produce income, which will be remunerated by income? It means, of course, making what are called educational investments.³⁶ In truth, we have not had to wait for the neo-liberals to measure some of the effects of these educational investments, whether this involves school instruction strictly speaking, or professional training, and so on. But the neo-liberals lay stress on the fact that what should be called educational investment is much broader than simple schooling or professional training and that many more elements than these enter into the formation of human capital.³⁷ What constitutes this investment that forms an abilities-machine? Experimentally, on the basis of observations, we know it is constituted by, for example, the time parents devote to their children outside of simple educational activities strictly speaking. We know that the number of hours a mother spends with her child, even when it is still in the cradle, will be very important for the formation of an abilities-machine, or for the formation of a human capital, and that the child will be much more adaptive if in fact its parents or its mother spend more rather than less time with him or her. This means that it must be possible to analyze the simple time parents spend feeding their children, or giving them affection as investment which can form human capital. Time spent, care given, as well as the parents' education—because we know quite precisely that for an equal time spent with their children, more educated parents will form a higher human capital than parents with less education—in short, the set of cultural stimuli received by the child, will all contribute to the formation of those elements that can make up a human capital. This means that we thus arrive at a whole environmental analysis, as the Americans say, of the

child's life which it will be possible to calculate, and to a certain extent quantify, or at any rate measure, in terms of the possibilities of investment in human capital. What in the child's family life will produce human capital? What type of stimuli, form of life, and relationship with parents, adults, and others can be crystallized into human capital? Fine, I am going quickly since we must get on. In the same way, we can analyze medical care and, generally speaking, all activities concerning the health of individuals, which will thus appear as so many elements which enable us, first, to improve human capital, and second, to preserve and employ it for as long as possible. Thus, all the problems of health care and public hygiene must, or at any rate, can be rethought as elements which may or may not improve human capital.

In the elements making up human capital we should also include mobility, that is to say, an individual's ability to move around, and migration in particular.³⁸ Because migration obviously represents a material cost, since the individual will not be earning while he is moving, but there will also be a psychological cost for the individual establishing himself in his new milieu. There will also be at least a loss of earnings due to the fact that the period of adaptation will certainly prevent the individual from receiving his previous remunerations, or those he will have when he is settled. All these negative elements show that migration has a cost. What is the function of this cost? It is to obtain an improvement of status, of remuneration, and so on, that is to say, it is an investment. Migration is an investment; the migrant is an investor. He is an entrepreneur of himself who incurs expenses by investing to obtain some kind of improvement. The mobility of a population and its ability to make choices of mobility as investment choices for improving income enable the phenomena of migration to be brought back into economic analysis, not as pure and simple effects of economic mechanisms which extend beyond individuals and which, as it were, bind them to an immense machine which they do not control, but as behavior in terms of individual enterprise, of enterprise of oneself with investments and incomes.

What, you will ask, is the interest of all these analyses? You will be aware of the immediate political connotations and there is no need to stress them further. If there were only this lateral political product, we

could no doubt brush this kind of analysis aside with a gesture, or at any rate purely and simply denounce it. But I think this would be both mistaken and dangerous. In fact, this kind of analysis makes it possible first of all to reappraise phenomena which have been identified for some time, since the end of the nineteenth century, and to which no satisfactory status has been given. This is the problem of technical progress, or what Schumpeter called "innovation."³⁹ Schumpeter—he was not the first, but we are just refocusing things around him—noted that, contrary to the predictions of Marx and classical economics more generally, the tendency of the rate of profit to fall actually turned out to be continuously corrected. You know that the theory of imperialism, as in Rosa Luxemburg,⁴⁰ provided an interpretation of this correction of the tendency of the rate of profit to fall. Schumpeter's analysis consists in saying that the absence of this fall, or this correction of the falling rate of profit, is not due simply to the phenomenon of imperialism. It is due, generally,* [to] innovation, that is to say, [to] the discovery of new techniques, sources, and forms of productivity, and also the discovery of new markets or new resources of manpower.⁴¹ In any case, the explanation of this phenomenon is to be sought in the new and in innovation, which Schumpeter thinks is absolutely consubstantial with the functioning of capitalism.

[The neo-liberals take up][†] this problem of innovation, and so of the tendency of the falling rate of profit, and they do not take it up as a sort of ethical-psychological characteristic of capitalism, or as an ethical-economic-psychological characteristic of capitalism, as Schumpeter did in a problematic which was not so far from Max Weber's, but they say: We cannot halt at this problem of innovation and, as it were, trust in the boldness of capitalism or the permanent stimulation of competition to explain this phenomenon of innovation. If there is innovation, that is to say, if we find new things, discover new forms of productivity, and make technological innovations, this is nothing other than the income of a certain capital, of human capital, that is to say, of the set of investments we have made at the level of man himself. Taking up the

* Foucault adds: and it puts [*inaudible word*] moreover as a category of this more general process.

† M.F.: the analyses of the neo-liberals are situated

problem of innovation within the more general theory of human capital, and by re-examining Western and Japanese history since 1930, they try to show that we absolutely cannot account for the considerable growth of these countries over forty or fifty years simply [on the basis of] the variables of classical analysis, that is to say, land, capital, and labor understood as time of labor, that is to say, the number of workers and hours. Only a fine analysis of the composition of the human capital, of the way this human capital has been augmented, of the sectors in which it has been augmented, and of the elements which have been introduced as investment in this human capital, can account for the real growth of these countries.⁴²

On the basis of this theoretical and historical analysis we can thus pick out the principles of a policy of growth which will no longer be simply indexed to the problem of the material investment of physical capital, on the one hand, and of the number of workers, [on the other], but a policy of growth focused precisely on one of the things that the West can modify most easily, and that is the form of investment in human capital. And in fact we are seeing the economic policies of all the developed countries, but also their social policies, as well as their cultural and educational policies, being orientated in these terms. In the same way, the problems of the economy of the Third World can also be rethought on the basis of human capital. And you know that currently an attempt is being made to rethink the problem of the failure of Third World economies to get going, not in terms of the blockage of economic mechanisms, but in terms of insufficient investment in human capital. And here again a number of historical analyses are taken up again, like the famous problem of the Western economic take-off in the sixteenth and seventeenth century. To what was this due? Was it due to the accumulation of physical capital? Historians are increasingly skeptical about this hypothesis. Was it not due precisely to the existence of an accumulation, an accelerated accumulation, of human capital? So, we are invited to take up a schema of historical analysis, as well as a programming of policies of economic development, which could be orientated, and which are in actual fact orientated, towards these new paths. Of course, this does not mean eliminating the

elements, the political connotations I referred to a moment ago, but rather of showing how these political connotations owe their seriousness, their density, or, if you like, their coefficient of threat to the very effectiveness of the analysis and programming of the processes I am talking about.*

* Foucault stops the lecture here and, due to lack of time, does not develop the final points of the last part of the lecture dealing with the relevance of this kind of analysis for (a) wages, (b) a series of problems concerning education, and (c) the possibilities of analysis of familial behavior. The manuscript ends with these lines:

"Problematizing in a different way all the domains of education, culture, and training that sociology has taken up. Not that sociology has neglected the economic aspect of this, but, confining oneself to Bourdieu,

—reproduction of relations of production

—culture as social solidification of economic differences

Whereas in the neo-liberal analysis, all these elements are directly integrated in the economy and its growth in the form of a formation of productive capital.

All the problems of [inheritance?]-transmission-education-training-inequality of level, treated from a single point of view as homogenizable elements, themselves in their [turn?] re-focused no longer around an anthropology or an ethics or a politics of labor, but around an economics of capital. And the individual considered as an enterprise, i.e., as an investment/investor (...).

His conditions of life are the income of a capital."