

# Neoliberalism must die because it does not serve humanity

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This short article on neoliberalism comprises three brief sections which discuss key theoretical notions, general practical issues, and worldwide experiences respectively while offering a facts-based assessment. Brief concluding remarks end the article.

## Theory

Neoliberalism gained momentum in the 1980s and became distinct and recognizable as an ideology by the 1990s as the “Washington Consensus”.<sup>1</sup> Neoliberal theorists would suggest that their theories are universal in nature and that assumptions that underpin them are unimportant. This can only be true when the assumptions truly do not matter because they are compatible with all possible socio-cultural and institutional matrices. Neoliberalism seeks unrestrained accumulation of capital through a rollback of the state, and limits its functions to minimal security and maintenance of law, fiscal and monetary discipline, flexible labour markets, and liberalization of trade and capital flows. Neoliberalism stands in contrast to classical liberalism in that it views the market system as a goal in itself as opposed to being something that is a means to the goals of higher economic growth and higher standards of living.

Neoliberalism came to public attention in the early 1980s, starting with Margaret Thatcher in the United Kingdom and Ronald Reagan in the United States, and the minimalist state belief entered the political lexicon. It was during that period that witnessed the ascendancy of Thatcherism and Reaganomics. Both Thatcher and Reagan shared a common vision: to remake their societies through a retreat of the big government and allow the private sector to come into its own. Domestically, it consisted of “supply-side policies”, such as deregulation, privatization, and massive reductions in tax rates, in order to spur growth. Internationally, it meant the negotiation of free trade agreements and subsequent rounds of multilateral tariff reductions as well as harmonization of policies across countries.<sup>2</sup> New Zealand, Australia, and Canada also adopted similar policies, as did much of Western Europe.

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<sup>1</sup> Williamson, J. (ed.) (1989). *Latin American Readjustment: How Much has Happened*, Washington: [Peterson Institute for International Economics](#), November.

<sup>2</sup> Karagiannis, N. and Z. Madjd-Sadjadi (2013) “Why is Neoliberalism Dangerous? Criticism, Alternative Perspectives, and Government Policy Implications”, pp. 11-31 in *The US Economy and Neoliberalism: Alternative Strategies and Policies*, edited by N. Karagiannis, Z. Madjd-Sadjadi and S. Sen, London & New York: Routledge (Advances in Heterodox Economics), March.

## Practice

The practical use of the term “neoliberal” exploded in the 1990s, when it became closely associated with two developments. One of these was financial deregulation, which would culminate in the 2008 financial crash and in the still-lingering euro debacle. The second was economic hyper-globalization, which accelerated thanks to free flows of finance and to new, more ambitious types of trade agreements. Financialization and hyper-globalization have become the most overt manifestations of neoliberalism in today’s world.<sup>3</sup>

That neoliberalism is a highly biased concept does not mean that it is irrelevant or unreal. Who can deny that the world has experienced a decisive shift towards markets from the 1980s on? Or that centre-left politicians – Democrats in the US, socialists and social democrats in Europe – enthusiastically adopted some of the central creeds of Thatcherism and Reaganism, such as deregulation, privatization, financial liberalization and individual enterprise? Much of contemporary policy discussions remain infused with free market principles. However, the looseness of the term neoliberalism also means that criticism of it often misses key points. The real trouble is that neoliberal economics shades too easily into ideology, constraining the choices that different countries appear to have and providing cookie-cutter solutions.<sup>4</sup>

However, neoliberalism decouples political liberalism from economic liberalism and promotes commoditization of everything and the needs of transnational corporations over those of individuals. A proper understanding of the economics that lie behind neoliberalism would allow us to identify – and to reject – ideology when it masquerades vexing contemporary realities: slim economic growth in general, limited job creation, massive production disparities, transnationalism, increasing socioeconomic inequalities and misery, asymmetry of economic and political power, and environmental degradation.

What, after all, are Western institutions? The size of the public sector in OECD countries varies, from a third of the economy in Korea to over 60% in Sweden and nearly 60% in Finland. In Iceland, 86% of workers are members of a trade union; the comparable number in Switzerland is just 16%. In the US, firms can fire workers almost at will. French labour laws have historically required employers to jump through many loops first. Stock markets have grown to a total value of nearly one-and-a-half times GDP in the US. In Germany, they are only a third as large, equivalent to just 50% of GDP.

What the history of both Keynesianism and neoliberalism shows is that it’s not enough to oppose a broken system. A coherent alternative has to be proposed. For Labour, the Democrats and the wider Left, the central task should be to develop an economic programme, a conscious attempt to design a new system, tailored to the demands of people for the 21st century.

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<sup>3</sup> Karagiannis, N. and J. E. King (eds) (2019) *A Modern Guide to State Intervention: Economic Policies for Growth and Sustainability*, Cheltenham, UK & Northampton MA, USA: Edward Elgar (Modern Guides Series), pp. 1-6, October.

<sup>4</sup> Rodrik, D. (2017). “Rescuing Economics from Neoliberalism”, Boston Review, November 06. <http://bostonreview.net/class-inequality/dani-rodrik-rescuing-economics-neoliberalism>.

## Experiences: a critical assessment

With the 2008 financial crash and the Great Recession, the ideology of neoliberalism lost its force. The approach to politics, global trade, and social philosophy that defined an era led not to never-ending prosperity but utter disaster. “Laissez-faire is finished,” declared former French President Nicolas Sarkozy. Former Federal Reserve Chairman Alan Greenspan admitted in testimony before Congress that his ideology was flawed. In an extraordinary statement, former Australian Prime Minister Kevin Rudd declared that the crash “called into question the prevailing neoliberal economic orthodoxy of the past 30 years – the orthodoxy that has underpinned the national and global regulatory frameworks that have so spectacularly failed to prevent the economic mayhem which has been visited upon us”.<sup>5</sup>

For some, and especially for those in the millennial generation, the Great Recession, the wars in Iraq and Afghanistan, and the more recent economic conditions of the trade, technological, tariff, and the coronavirus confrontations started a process of reflection on what the neoliberal era had delivered. Disappointment would be an understatement: the complete wreckage of economic, social, and political life would be more accurate. In each of these arenas, looking at the outcomes that neoliberalism delivered increasingly called into question the worldview itself. During the neoliberal era, the racial wealth gap did not fare much better.<sup>6</sup>

Despite its alleged commitment to market competition, the neoliberal economic agenda instead brought the decline of competition and the rise of close to monopoly power in vast swaths of the economy: pharmaceuticals, telecom, airlines, agriculture, banking, industrials, retail, utilities, and even beer. A study by *the Economist* found that between 1997 and 2012, two-thirds of industries became more concentrated. Why is it that neoliberalism requires the taxpayer to carry the risk while the corporations receive the reward?

Rising economic inequality and the creation of monopolistic mega-corporations also threaten democracy. In study after study, political scientists have shown that the U.S. government is highly responsive to the policy preferences of the wealthiest people, corporations, and trade associations – and that it is largely unresponsive to the views and needs of ordinary people. The wealthiest people, corporations, and their interest groups participate more in politics, spend more on politics, and lobby governments more. Leading social and political scientists have declared that the U.S. is no longer best characterized as a democracy or a republic but as a “social oligarchy” – a government of the rich, by the rich, and for the rich.<sup>7</sup> Neoliberalism’s immoral war on society, by pushing towards the privatization and marketization of everything, indirectly facilitates a retreat into tribalism. With the world in crisis, neoliberalism no longer has even plausible solutions to today’s problems.<sup>8</sup>

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<sup>5</sup> Pearse, W. (2019) “A Critique of Neoliberalism”, *Inomics*, April 09.

<https://inomics.com/blog/a-critique-of-neoliberalism-1379580>

<sup>6</sup> Pearse (2019). Op cit.

<sup>7</sup> About 47-51 percent of the Federal revenue comes from individual income taxes, around 6-11 percent from corporate income taxes, and another 33-35 percent from payroll taxes that fund social insurance programmes (Tax Policy Center and Office of Management and Budget, various fiscal years). Office of Management and Budget (OMB). Washington, DC:

<http://www.whitehouse.gov/omb/budget/HISTORICALS> and

[https://www.google.com/search?q=where+does+the+federal+revenue+come+from&rlz=1C1CHBD\\_enUS853US853&oq=where+does+the+federal+revenue+come+from&aqs=chrome..69i57j0l7.32431j0j15&sourceid=chrome&ie=UTF-8](https://www.google.com/search?q=where+does+the+federal+revenue+come+from&rlz=1C1CHBD_enUS853US853&oq=where+does+the+federal+revenue+come+from&aqs=chrome..69i57j0l7.32431j0j15&sourceid=chrome&ie=UTF-8)

<sup>8</sup> Rodrik (2017). Op cit.

The EU/IMF rescue programmes that Greece, Ireland, Portugal, and Spain entered into were designed, above all, to provide a “firewall” for the protection of the European banking system and thus the single currency itself, rather than solve the economic problems facing those nations. The rescue programmes demanded great sacrifices on the part of average citizens in those countries due to the reckless practices of banks and the financial sector – while the banks themselves came out clean and the Eurozone returned to being a playground for bond investors.

In this context, the EU/IMF duo pressed hard for austerity and structural reforms for the bailed-out countries purely on the basis of an ideological conviction (for there was no empirical evidence to back these claims) that such measures would enhance confidence, which in turn would create the proper conditions for a return to growth and higher employment. Therefore, the crisis in the Eurozone periphery not only continues, but it could also intensify in the near future, especially once the citizenry in those countries realizes that the game is rigged in favour of finance capital and big business. For this is exactly what the current EU policies are designed to do, to the detriment of a decent standard of living for the average citizen.<sup>9</sup>

The record of developing countries’ experiences of the last three decades, after many of these countries had adopted neoliberal economic policies, is very poor. Chile in the 1980s under Pinochet, followed the neoliberal recommendation of a rapid opening-up to imports. But Chile’s neoliberal experiment eventually produced the worst economic crisis in all of Latin America. The Argentine economic crisis of 1999-2002 is also held out as an example of the economic devastation to have been wrought by application of the “Washington Consensus”.

Caribbean and most African countries have been facing exacerbation of economic instability, rising current account and fiscal deficits alongside high debt obligations, a slowdown in productivity growth, limited adjustment in traditional sectors, high unemployment and underemployment, reduction and deterioration of public services and the quality of infrastructure, degradation of the environment and natural resources, social problems (including crime and violence), the growing distance between rich and poor, marginalization and social exclusion, and unfair competition arrangements. All these highly undesirable and vexing consequences have put less developed nations in a situation of ever increasing inferiority and have created new forms of external vulnerability and dependency.

Despite the disastrous experiences of neoliberal policies, especially in Latin American, Caribbean and African countries, still the international institutions, such as, IMF, World Bank, and their close co-operation with World Trade Organization (WTO), are imposing neoliberal policies on the developing countries. It seems that little lesson has been learned from the many unsuccessful experiences world-wide during the past 40 years or so. In recent years, a number of Latin American countries have abandoned neoliberalism and adopted policies to be suitable to their national interests rather than foreign capital.

Therefore, neoliberal versions of the “globalization” narrative have been challenged. In complete contrast, national-level economic process remains central and that the international economy is far from ungovernable. What is required within each particular nation is the

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<sup>9</sup> Polychroniou, C. J. (2015) “Dead Economic Dogmas Trump Recovery: The Continuing Crisis in the Eurozone Periphery”, pp. 241-257 in *Europe in Crisis: Problems, Challenges, and Alternative Perspectives*, edited by A. Bitzenis, N. Karagiannis and J. Marangos, London & New York: Palgrave Macmillan, May.

spread of a social movement that believes in an alternative future but relies on its own national experience to overcome economic pressures, social injustice and underdevelopment, while building bridges of international solidarity with other like-minded movements and governments.<sup>10</sup> Ecuador's attempt to opt out of neoliberal policies and chart out new economic policies is a promising case that has aimed towards more national economic control of resources and with active state intervention in favour of under privileged classes in the country.

## Conclusion

Neoliberalism is immoral and must be turned back because, at theoretical and policy levels, does not serve humanity. Challenging neoliberalism at the intellectual and ideological level alone is hardly sufficient for compelling policy-makers and submissive cheerleaders to confront the deadly shortcomings of the dominant socio-economic policies and embark in turn on development strategies that help improve the overall conditions of modern societies.

Challenging neoliberal globalization does not imply a rejection of globalization itself but reflects a wider global project of counter-hegemonic resistance which calls into question the nature of economic, social, and cultural interconnectedness that define the contemporary world. Social movements and activists bent on weakening or even overthrowing neoliberal policies in their respective territories should study the contemporary history of anti-globalization struggles for useful insights and appropriate strategies. As recent experience in several developed and developing countries has demonstrated, an alternative future to "barbaric neoliberalism" is very much possible.<sup>11</sup>

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<sup>10</sup> Karagiannis, N. and C. J. Polychroniou (2016) "Towards a Holistic Development Framework for the Caribbean: Key Theoretical Notions and Policy Implications", pp. 23-41 in *The Modern Caribbean Economy Vol. I: Alternative Perspectives and Policy Implications*, edited by N. Karagiannis and D. A. Mohammed, New York: Business Expert Press, September.

<sup>11</sup> Karagiannis and Polychroniou (2016) Op cit.