

# Good example of research paper on development economics

[Business](#), [Marketing](#)



## **Introduction**

Neoliberalism is a form of economic liberalism that offers support on free trade, deregulation, privatisation and reduction in government spending with the aim of enhancing the role of private sector in the economy. Privatization focuses on transferring the control of a given economy from public sector to the private sector. The policy does this with the aim of enhancing efficiency of the government, economic growth and development of the nation (Harvey, 2005).

It is also an economic policy that focuses on monitoring the flow of the market economy thus playing a role in intensifying and expanding the market. It does this by minimizing government intervention and reinforcing market efficiency. With respect to the neoliberalism policy, the government is assigned to take care of limited range of sectors of the economy of the nation. For instance, it recommends the government to take care of security sector of the economy. In addition, it supports free trade without harsh restrictions, unlimited freedom on enterprises and the liberal movement. Neoliberalism works in conjunction with other various policies in order to promote efficiency and economic development. Such policies include free trade, tax reforms, trade liberalization, privatization, deregulation and fiscal policy (Taylor and Jordan, 2009).

## **Free trade**

The followers of neoliberalism argue that neoliberalism is very crucial in enhancing market economy efficiency. On these grounds, the policy reduces governmental management influences and in so doing it helps investors to

gain power in the global market. Through a focus on this policy, businesses are able to produce goods more actively thus increasing their profitability. An outstanding example of the liberal flow of the economy supported by neoliberalism is the Free Trade Agreement (FTA). Through the Free Trade Agreement, the neoliberalism policies provide for the abolishment of tariffs. The implementation of free trade in the economy has led to globalization. Since neoliberal is used to describe promoters of the free market, according to them, the market is only free when there is no government regulation as it regards to taxes, minimum wage requirement and barriers due to natural forces of demand and supply. The belief holds that with such kind of regime in the world leads to a collective global economy. The typical economy leads to capital rich in the world. As a result, many countries especially developing countries that lack capital benefit from loans at lower rates. Nevertheless, customers from every corner of the world can also benefit by getting products at affordable prices. Ideally, this is because of decreased distribution and production costs since tariffs are limited.

Nevertheless, since Neoliberalism advocates for free trade; it encourages favourable balance of trade in many trade nations. With free trade within the globe, investors are able to export goods without incurring much cost. Increased exports relative to imports in a given nation leads to the favourable balance of trade. Also, it leads to the appreciation of the country's currency since many countries will be willing to trade with the currency in order to buy products from the country. As a result, appreciation of country's currency and the favourable balance of trade will lead to the economic development of the country.

## **Fiscal Policy**

Neoliberalism emphasizes on fiscal through which it argues that the government should not run large deficits that have been compensated by the future citizens. It also provides that such deficits can only have a short-term effect on the degree of employment in the economy. Nevertheless, it argues that the economy with constant deficit is prone to higher inflation hence lower productivity and thus should be avoided at all material aspects. However, neoliberalism holds that deficits should only be used for occasional stabilization purposes. Therefore, the fiscal policy plays a great role in the development of the economy by helping governments to control trade deficits.

## **Tax reforms**

Neoliberalism also supports tax reforms for the enhancement of the nations' economies. In most nations, taxes act as the main source of raising revenue. The broader the tax base, the higher the revenue is available for the nation. Neoliberalism thus supports tax reforms with the aim of broadening the tax base and also initiating moderate marginal taxes thus enhancing innovation and efficiency. Once a nation broadens its tax base, it brings many people to the tax bracket. In so doing, the nation can promote the principle of productivity. Ideally, this is to mean that neoliberalism plays a great role in helping nations to raise a substantial amount of revenues.

## **Privatization**

Neoliberalism enhances privatization of the state businesses. Ideally, neoliberalism plays a great role in helping in the promotion of market

through the provision of goods and services that a nation's government is not able to provide effectively to its citizens. Some of the services that neoliberalism helps the governments in the provision of services such as telecommunications. As a matter of fact, it plays a role in helping governments in improving services that have high competition. In addition, it helps the government in the diversification of trade by exposing the operations to various markets of the world.

According to neoliberals, privatization services are more efficient as compared to those rendered by the government. They also believe that corporate efficiency and market competition play a great role in the reducing prices of goods for the consumers. However, to some extent this is not true when public utilities are focused. The idea is that essential services such as water, healthcare and energy should be delivered by the government to the citizens. The argument is that such services help meet human rights and should be available to the citizens irrespective of whether they are profitable or not.

An outstanding example is the provision of health care services in the United States of America which was once provided by the federal government. However, the government transferred the health care provision services to be operated by the private sector. In so doing, the government gave the citizens an opportunity to choose quality services with respect to their financial statuses. On the other hand, the Australian government also sold the Telstra and the Commonwealth Bank that was once owned by the government.

## **Deregulation**

Neoliberalism plays a great role in enhancing economic development of the world nations through deregulation. In this process, neoliberalism supports the abolishment of any regulations that discourage market entry or restrict competition in the market. Its policies focus on ensuring that investors have the right to access the global market without restrictions. Nevertheless, it allows investors to carry out their transactions in the world markets without competition strictness. Ideally, this exercise helps the nations to diversify their investments thus encouraging the growth and development of trade (Krugman and Wells, 2006).

Through deregulation, neoliberalism advocates for policies that focus on increasing competition and more specifically on the banking sector where government regulations and control get minimized. An outstanding example is the cancellation of the Australian airline policies that allowed a small number of carriers to participate in the market. Through the same, individuals are motivated to invest more as there is no trade restrictions exercised in the market operation.

On the other hand, regulations and regulatory bodies in neoliberal economy focus on monitoring corporate activities, safeguarding the environment as well as protecting human rights. As a matter of fact, the regulatory agencies have directed their efforts towards the protecting consumers in various industries. As a result, it has helped the people of the world to improve their standards of living thus enhancing economic development.

Finally, deregulation has played a great role in enhancing monopolization. Increased levels of the free market and open competition have formed the

basis of monopolization through acquisition and mergers. Ideally, this has helped in the management of competition through the use of strategic alliances.

## **Liberalization**

Neoliberalism plays a great role in the enhancement of trade liberalization through the elimination of restrictions such as licensing. Also, it harmonizes trade tariffs thus encouraging competition and long-term trade growth and development. When trade tariffs within a nation become harmonized, it encourages investors to invest in various regions of the world without many restrictions. In so doing, it helps countries to improve balance of payment thus encouraging economic growth and development (Luxton, 2010).

Similarly, trade liberalization plays a great role in the enhancement of globalization. Through trade liberalization, the developing countries are able to improve their economic status. Ideally, this is because it opens ways for trade investment to all global regions. For instance, it allows foreign investors to invest in such countries. Nevertheless, it allows the multinational companies to invest in the development thus, enabling the citizens to enjoy products that they did not produce. Nevertheless, multinational companies that invest in developing countries play a great role in offering the citizens jobs. In so doing, they help third world countries in reducing unemployment rates thus promoting economic growth and development of these countries (Touraine, 2001).

Liberalization has also played a vital role in the economic development of the third world countries through the Structural Adjustment Programs. Through

the Structural Adjustment Programs, the developing countries have been able to open their markets for the transaction of foreign products. As a result, citizens are able to get goods they do not produce, but are available elsewhere. In addition, the developing countries benefit from soft loans advocated by these programs, helping them enhance economic development. However, this is also a disadvantage to the growth of the local industries. Local industries may close down following the citizen's focus on the foreign goods thus neglecting local goods (Duménil and Lévy 2013).

## **Criticism**

Although neoliberalism is very crucial in enhancing economic development of the world countries, it is subject to various criticisms. First, it is argued that neoliberalism is one of the main causes of the increased gap between the rich and the poor. Ideally, a small group of developed nations enjoy a big percentage of the world's finances while a large group suffers since they can afford to borrow a small amount of money. Borrowing money from the capital market is subject to the level of economic development of the nation. So the more developed countries are able to borrow heavily from this market since they have the potential to repay these finances. However, the developing countries find it difficult to borrow large sums of finance from the capital market since they are short in resources to repay the loan. So, the income gap between the poor and the rich continue to widen drastically (Parkin, 2010).

Finally, neoliberalism provisions have led to flow of foreign products to the third world countries. As a result, this has resulted to the death of the local



industries. Ideally, with free trade dumping of goods is very common. It is within these countries in which dumping takes place suffer local industry break up. Since the citizens are able to get foreign goods at a lower price as compared to the same goods that are locally made, they will opt to buy foreign goods. As a result, the local industries are not able to break even thus end up shutting with time.

## **Conclusion**

Neoliberalism can be said to contribute a lot to the development of the economy. The fact that it advocates for free trade gives this policy an upper hand in enhancing economic growth and development. Free trade encourages investment in the global market thus promoting international trade that in turn improves the nation's revenue. On the other hand, free trade facilitates exportation of goods without incurring much cost. Increased exportation of goods by a nation leads to a favourable balance of payment that in turn leads to economic growth and development. Apart from free trade, neoliberalism also advocates limited government control of its sectors of the economy. Ideally, this calls for the transfer of government ownership to private ownership that is privatisation. Privatization, therefore, plays a great role in influencing economic development. It helps the government in carrying operations that require competition and maximization of profits. On the other hand, neoliberalism can be said to have adverse effects to economic growth and development of the nation. Ideally, this is because it widens the existing gap between the rich and the poor. Ideally, this is true when it comes to the funding of the developed and developing countries

through borrowings from the capital markets. Developed countries are able to access large loan facilities in the capital market since they have the capability of repaying the loan. On the other hand, the developing countries following their inability to raise enough money to repay the loans hence they have limited access to loan facilities in the capital market. As a result, the gap between the rich and the poor continue to widen with time (Brandy, 2008).

## References

- Brady, D., 2008. Rich Democracies, Poor People: How Politics Explain Poverty. New York: Oxford University Press
- Duménil, G., and Lévy, D., 2013. The Crisis of Neoliberalism. Harvard University Press; Reprint edition
- Harvey, D., 2005. A Brief History of Neoliberalism. Oxford University Press
- Krugman, P., and Wells, R., 2006. Economics. New York: Worth Publishers.
- Luxton, M., 2010. Neoliberalism and everyday life. Montréal: McGill-Queen's University Press.
- Neoliberalism., 2013. London: Routledge.
- Parkin, M., 1990. Economics. Reading, Mass.: Addison-Wesley Pub. Co..
- Slooman, J. and Sutcliffe, M., 2003. Economics (5th ed.). Harlow, England: Prentice Hall/Financial Times.
- Taylor C. and Jordan G., 2009. Neoliberalism: From New Liberal Philosophy to Anti-Liberal Slogan, Studies in Comparative International Development (SCID), Volume 44, Number 2
- Touraine, A., 2001. Beyond neoliberalism. Cambridge, UK: Polity Press.