

# The opponents and supporters of neoliberalism



When one speaks of globalization what comes to mind is basically the financial globalization, which has occurred since the mid-1980s and has been associated with an increase in capital flows among industrial countries and, more notably, between industrial and developing countries (Prasad et al. 2003). Since then a, sometimes, contested debate has emerged as to the effects of financial integration on developing economies. Apparently, in order to assess whether globalization, financial or globalization in its wider sense, has been a boon or bane we need to have a standard of reference. The writer believe that the most objective, value-free, standard of comparison is to provide in the section 1 some useful definitions of Globalization and Neoliberalism, then distinguish between those two definitions and also explain the Anti- globalization movement. In section 2 the writer discusses some of these competing discourses. These three discourses are: first of all, Joseph Stiglitz who argue that globalization is potentially beneficial, but it must be made to work, that it “ needs of human face”, second discourse is the free trade economists such as Jagdish Bhagwati and financial times journalist Martin Wolf, who argue that globalization already works, that “ it has a human face”; and final discourse are scholars such as Marxist geographer David Harvey and Subcommandante Marcos, spokesperson of Mexican rebel movement the Zapatistas, who argue that neoliberal globalization involves “ accumulation by dispossession”, that is the “ fourth world war”. Finally, in section 4 the writer derives her conclusion.

In addition, this essay has a further material of globalization as appendices which are structured as follows. In Section 1 we provide some further definitions. In Section 2 we discuss some theoretical arguments in favour and

against globalization. In Section 3, we present the empirical evidence when it comes to the benefits of costs of globalization.

Globalisation is a continuing process that integrates regional economies, communities and cultures through a network of communications and business dealings (Dicken 2007). Globalisation is mostly used to refer to economic globalisation. This is however not the case. Globalisation is a reality, not one that affects finance only but almost all the aspects of human life. Globalisation has effects on technology, culture, and entertainment. Globalisation is viewed as being influenced by a blend of factors like economic, technical, social, cultural, political and scientific. The earliest description of this concept was coined by the United States businessman who was later made a minister, Charles Taze Russell (Khor 2001). He came up with the terminology, ' corporate giants' in the year 1897. Since the time this idea was conceived, it has motivated many other definitions and descriptions (Bordo 2002).

The UN ESCWA has revealed that globalisation is a term that has a wide range of usage and as a result has numerous definitions (Harvey 2007). When the term is used from the finance perspective, it refers to the lessening and elimination of regional boundaries between countries for the purpose of facilitating the transfer of capital, products, services, and workforce (Glyn 2006). Tom Palmer describes globalisation as the reduction or removal of state-enforced constraints on transfer of products and services across boundaries and the incorporated and sophisticated international systems of manufacturing and exchange that has come up as a result. Thomas Friedman has investigated the effects of globalisation and claims <https://assignbuster.com/the-opponents-and-supporters-of-neoliberalism/>

that globalisation and politics have transformed the world completely. The changes have been both positive and negative (Dicken 2007).

According to Takis Fotopoulos, globalisation is the outcome of methodical movements revealing the marketplace economy's grow-or-die nature (Perraton 2001). This is the case following the speedy growth of multinational enterprises. Due to the fact that these movements have not been counterbalanced efficiently by counter-tendencies that could have come from labour movements and other sorts of political actions, the result has been globalisation. This is a complicated and an irrevocable occurrence within the scheme of the market economy. This phenomenon is evident as financial globalisation, that is, the opening and deregulation of the market which has caused the current form of neoliberalism (Bordo 2002).

The globalisation since the Second World War as resulted from the making of the politicians. They began attempting to eliminate the boundaries hindering business to raise affluence and interdependence thus decreasing the opportunities for another war. The works of the politicians made possible the Bretton Woods Conference (Held 1999). This was a conference by the influential politicians of the world, to come up with a system for global commerce and finance. This was also an effort to establish global institutions that could see this come to pass. The two major institutions that were thought of were the World Bank and the International Monetary Fund. Since then the policies of this two institutions have affected globalisation.

Globalisation is also evident as political globalisation, that is, the coming up of international elites and the removal of the all-powerful nation-states of the past. There is also the concept of cultural globalisation, that is, the

uniformity of culture all over the world. Others are ideological, technological and social globalisation (Bordo 2002).

## **Neoliberalism**

This term is used to refer to economic liberalism. This term was used for the first time in 1960s by Marxists. It used to refer to the finance policies founded on neoclassical theories of economics (Harvey 2007). These philosophies reduce the role played by the state and increase the private enterprise sector. Neoliberalism is used to as a critic to the policies and ideas of contemporary administrations and the major international finance institutions. The expression is also used in cultural studies as a description for social, cultural and political activities and policies that utilise the concepts of marketplaces, economical efficiency, consumer preference and business deals (Hardt and Negri 2000).

Generally speaking, neoliberalism tries to transfer a portion of the control of the economy from the public sector to the private sector. This is done in the assumption that the process will lead to more efficient governments and improve the economic growth of a country. The concept of neoliberalism is derived from the Washington Consensus. This was a list of policies proposed, that seemed to have been agreed on among the international financial agencies based in Washington, such as the IMF and the World Bank (Häusler 2002). Neoliberalism is thus as set of finance policies that became widely used since the 1990s. These policies have been imposed unto governments by the international financial institutions (Harvey 2007).

## **Neoliberalism and globalisation**

In most cases neoliberalism and globalisation are used interchangeably.

These two are however related due to the finance nature that binds them.

Noam Chomsky puts forward the claim that globalisation can be used in a doctrinal point of view, to point to the neoliberalism.

The notion of neoliberal views the state as an enterprise. The enterprise sells itself as a market place, instead of trading in export products (Held 2004). In case the government in power is a neoliberal one, it will implement the policies designed by the financial institutions in making the country better for investments. Where these investments and business deals are done on a global level, then Globalisation prevails. Globalisation is thus linked to neoliberalism where the marketplace is used to trade in global arena (Harvey 2007).

## **Anti-globalisation movement**

This is the term utilised in describing the political group that is opposed to the neoliberalism. Some criticisms of globalisation are some of the reasons used in opposition to the neoliberalism. This movement comprises some of the processes and action taken by nations or the citizens in the effort of demonstrating its sovereignty and carry out independent decision-making.

This may take place in an attempt to uphold hindrances to the international movement of labour, products or beliefs. This can also take place as a way of preventing market deregulation, promoted by institutions like the IMF or the WTO (Perraton 2001). Naomi Klein asserts that the term anti-globalisation movement can be used to refer to only one movement or as an umbrella terminology that encompasses more than one movement. In either case, the

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members of such movement(s) stand in opposition to neoliberalism (Häusler 2002).

## **Globalisation needs a human face**

Joseph Stiglitz is known as one of the great contributors to the knowledge of economics. He contributed to the economics of asymmetric knowledge and the issue of efficient wages. According to Stiglitz (2007), globalisation is a close interrelation between nations and people. He cannot be said to be against globalisation because according to him it has the potential to achieve good to the world. He claims that as a result of globalisation, it is now possible for people to have longer lives and achieve better living standards. Stiglitz asserts that despite the fact that globalisation has the potential; it has not operated the way it ought to have worked (Stiglitz 2007). He sees as if something has gone terribly wrong because globalisation has not delivered its promises to the people. Globalisation has not provided better lives for those in need of its expected advantages. As a matter of fact, Stiglitz argues that globalisation has led to concentration of resources in one place leading to high levels of inequality. This has taken place between nations as well as within nations. It has led to increased rates of poverty and decreased rate of independence. In his personal point of view, the number of individuals living in poverty in the African continent has increased twice in the last twenty years or so. In the industrialised countries the rate of wages for the working class has also gone down. All this has taken place due to the fact that globalisation has been mismanaged. This means that the issue is not globalisation, but the poor management of globalisation. This is why Stiglitz asserts that globalisation requires a “human face” (Stiglitz 2006). This is the

only way that it can be made to function. According to Stiglitz, the policies that need to be targeted for globalisation to work are those of International Monetary Fund and the World Bank. He also cites neoliberalism and the Washington Consensus as the general targets in the proper management of globalisation (Stiglitz 2006).

The description of neoliberalism according to Stiglitz is the grab-bag of ideologies that is founded on the fundamentalist concept that marketplaces are self-correcting, distribute assets effectively, and take into account the interests of the people very well. It is this marketplace notion that motivated Thatcherism, Reaganomics, and the Washington Consensus (Stiglitz 2003). Stiglitz points out that the International Monetary Funds is the major villain in this issue. This is because this institution has pressured the neo-liberal policies, on the Third World countries without taking into consideration their significance in prevailing conditions (Stiglitz 2002). The outcomes of these policies to the developing countries have in very many occasions been detrimental. The global financial agencies have impacted a specific philosophy, that of market fundamentalism. This ideology as turned to be bad economics as well as bad politics. This idea is founded on principles concerning the functioning of markets that are not operational even in the global economies. The policies have been forced to the society without even taking into account the understanding of the society or even the role of economics in the community. These policies have also been imposed in manners that are undermining to the budding democracies (Stiglitz 2002).

Stiglitz is particularly against financial and market liberalisation citing the fact that this leads to economic instability. According to Stiglitz, this concept

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was a key contributor to the East Asian Financial Crisis (Stiglitz 2002). He asserts that if globalisation has failed due to the enforcement of Washington Consensus, as well as policies and lack of proper management, then the solution would be implementation of proper policies and good governance of globalisation. He argues that if globalisation was well managed, then it would bring in a lot of benefits to both the developed and the developing nations. Stiglitz proposes reforms to the global financial institutions (Stiglitz 2003).

### **Globalisation has a human face**

This is a somewhat contradictory concept to the earlier one of globalisation needs a human face. This concept is brought up by a colleague of Stiglitz, Jagdish Bhagwati. He claims that the concept of globalisation needs a global face is wrong (Bhagwati 2004). This is because this notion sends a false signal. He argues that globalisation has a human face and it is up to us to make that face more agreeable. Bhagwati introduces two kinds of critic of globalisation. The first one is the huge number of strong opponents who possess strong opposition for globalisation. Conversations with this group of protestors are impossible. The second group is of the opponents whose dissatisfaction is well within the limits of normal dispute and dialogue. This group argues that globalisation is the cause of very many social problems like poverty, illiteracy, child labour, inequality in women, and deterioration of the environment. This group of critics require an extended and well thought of response. In the response there is need to have adequate assessment of a variety of issues surrounding globalisation. These are the issues addressed by both Bhagwati and Wolf. One of the issues is poverty (Bhagwati 2007).

According to Bhagwati poverty has for a long time been associated with globalisation. The response to the critics concerning this issue is that business promotes development and development reduces poverty. To support this argument Bhagwati cites two nations that have been a host of poverty, that is, India and China. The two countries moved to outward orientation about two decades ago. This was the contributing factor to their high economic development in the 80s and 90s (Bhagwati 2007). During this period poverty went down considerably in both countries. Martin Wolf agrees with the argument that the ratio of standard incomes in the developed nations to those in the developing nations has been going up in this period of globalisation. He also acknowledges the fact that the gap in the living standards between the rich and the poor has also continued to widen. Nevertheless Wolf reaches to the conclusion that international inequality amongst people has gone down, with the numbers of the persons living in absolute poverty has gone down (Wolf 2005). The welfare of the people has continued to develop with globalisation. The explanation given by Wolf for the continued poverty in Africa is not globalisation, but partly because of diseases and partly because of its failure to develop. He asserts that what affects the people living in abject poverty is not the fact that they are exploited, but the fact that they are not exploited. This is because they exist outside the global economy. The growth in globalisation of the economy through integration of budding economies has changed the humanity for the better. The problem that faces globalisation is not that it has failed, but the challenge is to bring those who are living outside it into the web of beneficial economic integrations (Wolf 2005).

The other issue that requires response is child labour. This is a problem that has been going on internationally throughout the world. Bhagwati argues that there is no relationship whatsoever between child labour and globalisation. The causes of this problem are associated with poverty (Perraton 2001). The fact according to Bhagwati is that whenever globalisation causes wealth and lessens poverty, it leads to reduction of child labour and increase in enrolment into learning institutions. This works two-way because it also deals with the issue of poverty. This consequently impacts positively on the economic development (Bhagwati 2004).

Another issue that needs to be addressed carefully in dealing with the critics is women's equality. There is an argument that globalisation has a negative impact on women. Wolf disagrees with this argument by asserting that globalisation has assisted in reducing gender inequality. He claims that the youths who migrated from rural china in search of employment were driven by their attempts to run away from poverty. This was not by force and the wages they earn has assisted them by improving their living standards. This is especially true for women who are offered the chance to earn their own money (Wolf 2005).

There are many a number of other issues that Bhagwati addresses in dealing with the critics. Concerning democracy he asserts that globalisation increases democracy both directly and indirectly. The direct impact is that the local manufacturers and farmers are able to access the market directly without being exploited by the middlemen. This has made them into independent people who can participate in the activities and processes of the society such as politics. The indirect impact is that globalisation leads to

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prosperity that through development of the society leads to democracy (Wolf 2005). Both Bhagwati and Wolf argue that globalisation does not cause environmental degradation. They assert that by improving the standards of living, globalisation leads to proper environmental management. They however support the fact that global economy should be well managed to enhance environmental development (Bhagwati 2004).

Bhagwati supports capital controls and emphasises what he refers to as “ wall street treasury complex.” This system has led to many administrations adopting policies of capital-account convertibility (Bhagwati 2004).

## **Globalisation is the fourth world war**

One of the treaties that will be considered in this section is NAFTA. This is one treaty that has had mixed reactions since its inception. The treaty has been acclaimed by its supporters and condemned by its opponents. This is a trilateral treaty that was signed in 1994 bringing together three nations in one trading bloc. These three countries are the US, Mexico and Canada. After the treaty was formed, conflicts broke up in Chiapas, one of the poorest states in Mexico. The conflicts were initiated by a group of revolutionaries known as EZLN. The Zapatista National Liberation Army came in and took possession of four cities in the country. It was not by chance that the group started conflicts immediately after the treaty was signed. This was because the Indians saw the treaty as a threat. The native Indians in the country, who lived in poverty, felt that the signing of the agreement would make them lose the land that was given to them following the Mexican revolution. During the negotiations with the American government, the president of Mexico overlooked the only section of the law that was significant to the

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locals. This was the section that protected the community-owned lands in Chiapas (Marcos 1997).

The Zapatistas began fighting until they were overwhelmed by the United States supported military that fought them in the pretence of “ war on drugs.” However the Zapatistas were not defeated because their efforts motivated international anti-globalisation and anti-capitalist movements. For such groups their main target is neoliberalism. Marcos argues that the start of “ the fourth world war has begun” (Marcos 1997). There is an argument that neoliberalism is a struggle to capture new territories. David Harvey defines it as philosophy of political economic activities that proposes that it is possible to develop the wellbeing of people by raising entrepreneurial liberties within an organisational structure that is typified by aspects like property rights, personal freedoms, and free market. The responsibility of the nation is to come up with the structures (George 1999). One of the most significant aspects of neoliberalism is enclosure. The enclosure of the primitive accumulation as described by Karl Max is where the common people were deprived of means to their livelihood. This involved conflicts as the commons were forcefully evicted from their property. The argument as far as neoliberalism is concerned is that this form of primitive accumulation is still in practice. In world economies it can be seen where privately-owned business premises are constructed in lands that were initially reserved or used for public utilities. For people whose lands are taken away in the name of development, the loss is devastating. The new enclosures are clearly connected with finance and financial institutions in the global arena. Many people are getting removed from their lands, homes, and employment

through violence, epidemics, famines, and the International Monetary Fund-ordered devaluations. These people end up scattered at all corners of the world. There is the referencing to finance, that is, debts and credits as the facilitators of accumulation by dispossession (Marcos 1997).

Critics however argue that enclosures and primitive accumulation are, but not the only reasons why neoliberal globalisation is war. Another reason cited is the unfair competition in the global arena. The competition causes precarity and uncertainty. According to Marcos (1997), the workers are forced to brave job instability, longer working hours, and low wages. He adds that in short neoliberal globalisation means more war, conflicts, troubles and violence (Marcos 1997).

## **Conclusion**

As a conclusion it is important to compare the opponents against the supporters of neoliberalism. Martin Wolf argued that the problem facing the poor is not the fact that they are exploited, but the fact that they are underexploited. He added that the challenge is bringing them into the web of globalisation. While Wolf and Bhagwati disagree with the critics of globalisation and neoliberalism, they tend to agree with others like Sachs, Marcos and Stiglitz that neoliberal globalisation increase competition. Where they fail to agree is where the supporters claim that the competition raises efficiency, productivity and reduces prices. The opponents stress on the uncertainty and insecurity caused by the competition. The question that lingers is who among the authors is right. The concluding remarks are the fact that globalisation has potential to be beneficial to people, but to be able to achieve this it should be properly managed. In my own opinion, due to the <https://assignbuster.com/the-opponents-and-supporters-of-neoliberalism/>

poor management globalisation has not been beneficial to the society.

However this phenomenon is with us to stay and the only thing that can be done is to change its management so that it benefits the people who heavily rely on its promised benefits. Both individuals and nations need to take advantage of it, however bad they think of it, because this seems the only way to survive through it (Klein 2008).

## **Appendices**

### **Appendix 1: DEFINITIONS**

#### **GLOBALIZATION**

Globalisation can be broadly defined as a movement of culture, people and goods across international borders. Put differently, globalization could be seen as a closer integration of countries and people (Stiglitz, 2003). Thus, when one deals the issue of globalization he has to take up various aspects of globalisation, i. e. cultural, political, economic aspects.

#### **NEO LIBERALISM**

According to Harvey(2007) neoliberalism is a set of political and economic practices, which can advance human well-being; these practices aim at promoting entrepreneurial freedoms, individual liberty, private property rights, unencumbered markets, and free trade. The role of the state is to create and preserve an institutional framework appropriate to nurture such practices.

Neoliberalism has been applied (imposed) in practice through the so-called “Washington Consensus” that emphasized privatization, liberalization, and

independent central banks focusing single-mindedly on keeping the price level at bay. The problem with the Washington Consensus, according to Stiglitz (2003), has to do with the fact that it has been applied on developing countries, without taking into consideration the wider social and political context of these economies. As a consequence, the results of these “one-size-fits-all” policies have, in many cases, been disastrous

## Appendix 2: THE TWO THESES

### THE ANTI- GLOBALIZATION ARGUMENTS

In what follow we shall consider certain anti-globalization arguments put forward by Marcos (1997),

#### Increased Concentration of Wealth and Widening Income Inequality

According to Marcos (1997), neoliberalism has resulted “in an accumulation of wealth for the few, and [in] accumulation of poverty for millions of others.”

The author continues that of the 5 billion inhabitants of “only 500 million live comfortably”, while “the remaining 4.5 billion endure lives of poverty.”

Another interesting piece of information cited by Marcos that “the total wealth owned by the 358 richest people in the world, the dollar billionaires, is greater than the annual income of almost half the world’s poorest inhabitants, in other words about 2.6 billion people.”

#### Increase in Poverty

Marcos (1997) argued that globalization and neoliberalism have thrown more people to poverty, since “in the 1960s and 1970s, the number of poor



people in the world (defined by the World Bank as having an income of less than one dollar per day) rose to some 200 million. By the start of the 1990s, their numbers stood at two billion.”

### Appendix 3: THE PRO- GLOBALIZATION ARGUMENTS

For Stiglitz (2003) globalisation has definitely benefited people, as their life expectancy and standard of living has clearly risen, but it has not yet achieved its full potential. The outcome of this has been the rise in income inequality both between countries and within countries. He also points that the number of people living in poverty in Africa has doubled over the past two decades, whilst the wages of workers in rich countries have been driven down. However, the problem for Stiglitz is not globalisation per se, which is responsible for the aforementioned ailments, but the way it is applied.

### Appendix 4:

Some globalization supporters have put forward the argument that globalisation promotes democracy. According to Bhagwati (2004: 93), in a developed capitalistic system, rural farmers could bypass the dominant classes and castes by taking their produce directly to the market thereby becoming more independent actors. Further, the author maintains that globalisation leads to prosperity, which in turn leads to greater democratisation of politics.

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### Appendix 5: THE EMPIRICAL EVIDENCE

#### THE ISSUE OF POVERTY

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## The Reduction of Poverty

Sala-i-Martin (2002), in his study, concluded that global poverty - measured by poverty rates as well as absolute headcounts - declined significantly from 1970 to 1998, but the reductions in poverty varied tremendously across regions. Specifically, the author found that, on a global level, the number of people living in poverty (i. e. people having an income of less than \$2 per day) and extreme poverty (i. e. people having an income of less than \$1 per day at the prices of 1985) declined significantly during the period under study.

TABLE 0â€™ 1: Percent of Global Population in Poverty And Extreme Poverty

### **YEAR**

### **GLOBAL POPULATION**

### **IN POVERTY**

### **GLOBAL POPULATION**

### **IN EXTREME POVERTY**

1970

40. 0%

16. 6%

1998

<20. 0%

<7. 0%

Source: Sala-i-Martin (2002)

From the above table we observe that in 1970, roughly 40 percent of the global population subsisted under the \$2 poverty line, while about 16.6 percent lived under the \$1 line. The picture changed dramatically in the 1990s when China, India, and Indonesia began growing rapidly, so by 1998, less than 20 percent of the world population was beneath the \$2 dollar level, while, less than 7 percent was below the \$1 level. However, despite these improvements, some 350 million people still lived on less than \$1 per day in 1998, while nearly one billion subsisted on under \$2 per day.

The author then delves into regional differences and finds that reductions in poverty varied tremendously across continents. Asia was the best performer. The number of people living in extreme poverty declined dramatically, from 430 million people in 1970 to 52 million in 1998. Latin America reduced poverty substantially in the 1970s but progress stopped in the 1980s and 1990s. Finally, the worst performer was Africa, where poverty rates increased substantially over the last thirty years: the number of \$1/day poor in Africa increased by 175 million between 1970 and 1998, and the number of \$2/day poor increased by 227. Africa hosted 11% of the world's poor in 1960. It hosted 66% of them in 1998. By 1998, the figures were nearly reversed, with 66 percent living in Africa and only 15 percent in Asia. The key difference, the author writes, is that Asian economies experienced rapid growth, while Africa experienced negative growth.

Debt Relief and Poverty Reduction

Poverty can be reduced, not only directly by neoliberal, growth-fostering, economic policies, but also in indirect ways involving debt relief initiative by the main “beneficiaries” of globalization, namely rich countries. Apparently, a reduced debt burden implies that a country has more resources at its disposal to fight poverty.

Indeed, on June 11th, 2005, at a meeting in London the finance ministers of the G8 agreed to cancel all the debts that 18 heavily indebted poor countries owe to three multilateral lenders, the World Bank, the International Monetary Fund (IMF) and the African Development Bank (AfDB). The beneficiaries were Guyana, Honduras, Nicaragua, Bolivia and 14 African countries, and the debts in question had a face value of about \$40 billion, on which an annual average of \$1 billion-1.5 billion was paid in debt service (The Economist, 2005).

#### INCREASED GLOBAL INEQUALITY

One may argue that capitalism and economic globalization cause the gap between rich and poor to widen across the world, as the poor countries are not catching up with the rich ones. In order to test this assertion, we can examine the relationship between the average growth rate in GDP per head and the level of GDP per head.

In the following figure, the horizontal axis shows the average level of GDP per head in 1980 (measured in thousands of dollars), and the vertical axis shows the rate of growth in inflation-adjusted GDP per head between 1980 and 2000; each country is shown as a single point with two dimensions (one

for the level of GDP per head and another for the average growth rate in GDP per head).

FIGURE 0â€™ 1: Growth Rate in GDP Per Head And GDP per Head

Source: Fischer (2003)

If it were true that globalization makes poor countries to catch up with the richer countries, then the points in the above figure would tend to lie on a downward-sloping line. That is, the lower the country's GDP per head the higher should have been its average growth rate in GDP per head during the period 1980-2000. In that case, one would say that the poor countries were on average catching up and that global inequality measured across countries was trending downwards. However, as the above figure shows, poor countries a