

Are Neoliberalism Policies Undermining Free and Democratic Societies?

Danielle Araujo

Harvard Extension School, USA, daniellearaujo@g.harvard.edu

ABSTRACT: Neoliberalism is a term that has attracted a remarkable degree of frustration and fury within the academia. Its political ideology is associated with Wall Street greed, union-busting, deregulation, wage theft, privatization and exploitation. Critics claim it has been used as a weapon of the wealthy class to mask their true intentions. It removes decision-making out of popular hands and places decisions in the hands of unelected International Organizations, undoing democracy. The extreme inequalities and empowerment of capital that neoliberalism brings about, reduces human beings into market actors undermining the power and needs of the people. The main conclusion of the paper is that neoliberalism policies are a radicalizing threat to human potential and democracies in the 21st century.

KEYWORDS: neoliberalism, neoliberalism policies, democracy, democratic societies, international organizations, World Bank, IMF, Structural Adjustment Programmes

Introduction

Neo-liberalism parallels the 19th and 20th Century liberal political policies that, at that time, centered upon privatization of industry, austerity, deregulation and reductions in government spending. However, because it is a parallel to ideological liberalism and not liberal practices, the philosophy of neo-liberalism is paradoxical in its application. For neo-liberalism ideology to claim it holds liberal ideology as its dogma is a hypocrisy. “Success of neoliberal political strategies rests on a mixture of rhetoric, force and control of the major local and global institutions” (Afouxenidis 2016). Wealth and power determine who is cast off, and individuals and industries persist in the wake of repeated bank failures and bailouts, off-shoring of private wealth, and our permissive campaign finance system, which allows a small number of wealthy donors to set the agendas in Washington and state capitols across the country, determining who runs for office long before voters have their say at the polls. The billions of dollars spent on lobbying, reward the “public servants” who tilt the playing field in their favor. The financial sector is the polluting force that underlines everything. It eliminates the concept of “public good” because the principles of fiduciary duty mean clients take precedence over public needs. Neoliberalism has brought about the rise of an anti-corporatist movement, which asserts that the influence of corporations goes against the advancement of society and democracy.

Democracy deals with the idea of creating a society that allows for all citizens to remain equal through rights and freedom. It provides the fantasy structure that tries to keep neoliberalism in place. Although democracy is associated with higher human capital accumulation, lower inflation, lower political instability, and higher economic freedom, it does not supplant greed and competition, in fact, it encourages it. The competition and inequality it generates encourages people to get off on hierarchy and assert superiority on others. When selfishness turns to greed and seeks pleasure at the expense of others, citizens are reduced to their economic value and activity, they become pieces of human capital whose only purpose in life is to respond to market demands. The great linguist and political critic Noam Chomsky criticizes the issues associated with neo-liberalism in his book “Profit over People” stating: “Neoliberal democracy. Instead of citizens, it produces consumers. Instead of communities, it produces shopping malls. The net result is an atomized society of disengaged individuals who feel demoralized and socially powerless. In sum, neoliberalism is the

immediate and foremost enemy of genuine participatory democracy, not just in the United States but across the planet, and will be for the foreseeable future” (Chomsky 2011, 11).

Since the collapse of the Soviet Union, the Washington Consensus has imposed the regime of neoliberalism through the instruments of international agencies such as the World Bank and the IMF. Decision-making has ever since been removed out of popular hands and placed in the hands of these unelected International Organizations. The attempt at any other different type of social order has been squashed, even after austerity measures imposed by these institutions have failed repeatedly, stalling economic development of bailed-out countries. With no infrastructure to start developing new ideas and patterns, these countries pose no threat to the long-dominant ideology. The lure of the neoliberalism free market prevails and is unquestionably used as a function of the wealthy class. The lower class individuals, on the other hand, are the ones who suffer from the neoliberalism free market outcomes. Upper-class states like the United States are not susceptible to any of this, because they have their support of vassal states, their arms with NATO, and the IMF to support its economic worldview, which leads to their territorial and political control of other states. A whole empire has been built on economic coercion. While military bases are still powerful and functional, it is the economic power yielded in the ideology of neoliberalism that has been the true driving force of control. The fear of communism and fear of losing this effective capitalist agenda have brought in the idea that if we don't enforce neoliberalism across the world we will lose our seat of control.

Competition is seen by neoliberalism as an inevitable feature of human relations. This ideology pervades our society and distorts our thinking hindering the practice of social solidarity and popular engagement in determining policy (Lydon 2017). The principle of corporate limited liability spares those who control the corporation from the legal or direct economic consequences of their actions. “The idea of freedom from trade unions and collective bargaining means the freedom to suppress wages. Freedom from regulation means the freedom to poison rivers, endanger workers, charge iniquitous rates of interest and design exotic financial instruments. Freedom from tax means freedom from the distribution of wealth that lifts people out of poverty” (Monbiot 2016). Freedom means subordination to the decision of concentrated unaccountable power, and many economic and social insecurities are produced by it; people are foreclosed on due to tightened personal bankruptcy laws while others are forced to study or live on credit... Our presumed freedom is tied to one central condition: we must be successful, that is, make something of ourselves. Our society reinforces privilege and puts increasing pressure on its overstretched and exhausted citizens. This falsehood of “free choice” demotivates and depoliticizes. In such a world, depression, anxiety, narcissism are entirely logical responses. The rich claim they acquired their wealth through merit, ignoring the advantages, such as education, inheritance and class that may have helped to secure it while the poor blame themselves for their failures. Even a highly skilled individual who puts parenting before their career comes in for criticism. Neoliberalism places too much stress on measurable various like real GDP per capita and ignores the wider more intangible factors affecting the quality of life. Wages, for example, have failed to keep up with the rising cost of living. “American households have the highest credit card debt load in the world (over \$6,000 on average, but over \$16,000 on average among those that have credit card debt), which is perhaps not surprising given that over half of Americans live paycheck to paycheck, with an estimated 62 percent lacking liquid funds sufficient to cover a \$1,000 emergency expenditure” (Ciepley 2018). As corporate tax rates are cut, so are public expenditures on social services like education and healthcare. Neoliberalism imposes the logic of scarcity on the economy of abundance increasing inequality, coercion, and mediocrity in the corporation. Businesses are not trying to improve on human need, they are trying to improve on something to sell. They don't wish upon abundance because that would make them obsolete. The pollution of the water supply, for instance, is great for water bottle companies. We were taught to reward scarcity and we can't have preservation, sustainability and efficiency in a society that rewards the opposite.

Analysis

In order to effectively explore the issues surrounding the impact neoliberalism has had on democracy, relevant literature has been collected. The effect of the World Bank and IMF lending on democratization has only been examined in a few academic studies, perhaps because of the politically neutral appearance cherished by these institutions. Given the variety of conditionalities on lending instruments, some variation in whether they pave or undermine the path to democratization are expected. The conditions associated with the stabilization programs and Structure Structural Adjustment Programmes (SAPs) include privatizing public assets, lifting import and export restrictions, reducing or eliminating subsidies, increasing regressive consumption taxes, currency devaluations, pension and social security reforms, labour market flexibilization reforms, cutting or capping the public sector wage bill and strengthening public-private partnership (PPPs). These conditions affect large parts of the population and are likely to cause social protest. “However, what seems to matter most is that the Fund’s capital infusions bail out political leaders under stress. Autocrats may thus use the money to cement their hold on power and blame the IMF for unpopular policies” (Birchler, Limpach, and Michaelowa 2016). In order to stay in power a lot of times, governments have to resort to coercive measures, and an unstable financial state that develops from civil unrest can contribute to worsening human rights (Bartilow and Ke 2011, 16).

On Doris A. Oberdabernig’s work “The Effects of Structural Adjustment Programs on Poverty and Income Distribution” he collects data from 1982-2004 for 94 countries in order to confirm the adverse effect of SAPs on income equality. What he concludes is that the “IMF programs tend to harm countries in terms of poverty levels and income distribution. Poverty rates are higher for countries *during* and especially *between* participation in IMF programs. Those poverty rates are not only higher in comparison to poverty rates of countries which *never* participated in an IMF agreement but also higher than poverty rates observed *before* the first participation in a Structural Adjustment Policy (SAP). *After* the last participation, poverty rates turn out to get lower again, even lower than they had been before the first participation. The same pattern emerges when it comes to income distribution” (Oberdabernig 2010, 6).

A great case against neoliberal economics happened after Greece fell victim to the global financial crisis of 2008. In 2010 under the bailout terms imposed by the EU and the IMF, the Greek “GDP dropped by 20 percent in the course of four years; unemployment reached as high as 27% and one of three Greeks ended up either near or below the poverty line” (Polychroniou 2015). Greek public health expenditure suffered a 24% decline due to the austerities imposed (Sparke 2017) and 2.5 million Greeks, a quarter of the population, were left without national state healthcare coverage. (Economou, Kaitelidou, Karanikolos, Maresso 2017, 132). The *education* system also suffered a series of cuts in public spending. Schools were left without heating, suicide rate rose alarmingly, and without *a* solution to the country's *debt crisis*, the well-educated youth were left with no choice but to emigrate in look for job opportunities (Polychroniou 2015).

Greeks had a lot to learn from Africa about the effects of austerity after a debt crisis. Throughout Africa, people’s lifestyles and livelihoods were fundamentally altered by the impact of SAPs after many countries were saddled with unsustainable debt in the 1980s and 1990s. Zimbabwe introduced its Economic Structural Adjustment Policy (ESAP) in January 1991. In a research conducted in April and May 1994 that covered 203 respondents residents, a large majority of them (87 percent) felt that ESAP had made things worse for the communal areas. They were particularly worried about increasing food prices and the increasing expense of farm inputs including seeds and farm equipment. Their concerns indicated that the basics were now a luxury. One of the major policy changes introduced under ESAP was the introduction of user fees for previously free welfare or huge rises in the prices charged. Even

primary schools now charge fees in urban areas and high increases in the cost of secondary school fees, uniforms, books, paper and exam fees, which has placed a heavy burden on parents. It is no longer possible to always send *all* the children in a family to school, some parents prefer to buy food. Transportation, electricity and rent prices also rose, forcing people to sell property and causing rural families to lose remittances from their urban kin. Both urban and rural people in Zimbabwe appear to have suffered many disadvantages from ESAP (Potts, Mutambirwa 1998, 65).

Comparatively, the Latin American debt crisis of the early 1980s, coupled with US-backed dictatorships and democracies, gave rise to a series of neoliberal and structural adjustment policies developed by the US and Latin America economists alike (Hartmann 2016, 2146). The Ecuadorian and Bolivian healthcare systems were radically changed after the World Bank mandates. Structural segmentation and fragmentation were caused by large cuts in the healthcare budget and the privatization of healthcare services, delivery and insurance (Hartmann 2016, 2146). “Because of the high costs of private healthcare, significant disparities in healthcare spending by sector were common: the Ecuadorian state spent less than one fourth as much on citizens with public insurance as it did for those covered by social security” (Hartmann 2016, 2146). Postneoliberal transformations are visible in Venezuela, Bolivia, Ecuador, Chile, Brazil, Argentina, Uruguay, Mexico, Nicaragua, Honduras, and El Salvador, although conceptualizations and implementation vary by context.

Conclusion

It is quite difficult to find an answer to the question of whether SAPs have a positive or negative impact, as we cannot observe the outcomes which would have occurred in the absence of SAPs in affected countries. However, “the financial assistance from the Fund’s stabilization program is fungible because the conditions attached do not increase state actors’ awareness of the resource allocation process. On the contrary, the financial crisis in combination with deficit lending reduces the power of civil society vis-à-vis the state. In addition, the Fund primarily works with the finance ministry. Other parts of the executive or the parliament are involved only to a limited extent. Just as in the case of the World Bank’s investment projects, we therefore expect that the resource inflow associated with stabilization programs does not create conditions conducive to democratization. Overall, we thus expect a negative effect” (Birchler, Limpach, and Michaelowa 2016, 431).

Deficit lending requires a more inclusive and transparent political decision-making process. Society should be what rules, not big market or unelected organizations. It seems that the state under neoliberalism is a gradual retreat from the provision of public goods and social services. Neoliberalism does not concern itself with some widely touted values, such as universal equality, absolute fairness or unbreachable moral duty. It hampers the formation of a natural hierarchy of *winner*s and losers. Doing anything that hurts another human being, *becomes justifiable under the guise* that it is just the competitive nature of the world. We must move away from macroeconomic to save ecology and stability of our society in term of group relationships. Instead of worshiping class and status we must become more sustainability-focused. Peaceful coexistence is possible if our culture stops thriving on an overconsuming materialistic vain idealism. We can all live in a world which incentivizes people working together and sharing. A world where people get what they need and it becomes a social reality instead of a material, vindictive, status based reality. It does not mean that hierarchy would not exist in the future, natural hierarchy will always happen, but it will happen due to our respect for the talents of others and not because of their financial status. Hierarchies, essentially, can be good natural structures. The fact that someone is able to do things others can’t, ideally, should motivate our collaborative sense and the power of our society as a

civilization. Neoliberalism, however, tends to dismantle this collaborative power, hindering human potential and the fantasy of liberal democratic triumph.

References

- Afouxenidis, A. 2016, December 16. "Neoliberalism and Democracy." *Political Inequality*. Retrieved from <https://politicalinequality.org/2016/12/16/neoliberalism-and-democracy/>.
- Bartilow, H., and Ke Y. 2011. Structural Adjustment Programs and Human Rights: The Counterintuitive Effect of Democracy.
- Birchler, K., Limpach S., Michaelowa K. 2016. "Aid Modalities Matter: The Impact of Different World Bank and IMF Programs on Democratization in Developing Countries." *International Studies Quarterly* 60(3): 427–439.
- Chomsky, N. 2011. *Profit Over People*. New York: Seven Stories Press.
- Ciepley, D. 2018, February 07. "The Corporate Contradictions of Neoliberalism." *American Affairs Journal*. Retrieved from <https://americanaffairsjournal.org/2017/05/corporate-contradictions-neoliberalism/>.
- Economou, C., Kaitelidou, D., Karanikolos, M., Maresso, A. 2017. "Greece: Health system review." *Health Systems in Transition* Vol. 19, No. 5. European Observatory on Health Systems and Policies. Retrieved from https://www.euro.who.int/__data/assets/pdf_file/0006/373695/hit-greece-eng.pdf.
- Hartmann, C. 2016. "Postneoliberal Public Health Care Reforms: Neoliberalism, Social Medicine, and Persistent Health Inequalities in Latin America." *American Journal of Public Health* 106(12): 2145-2151. DOI:10.2105/ajph.2016.303470.
- Lydon, C. 2017, June 05. "Noam Chomsky: Neoliberalism Is Destroying Our Democracy." *The Nation*. Retrieved from <https://www.thenation.com/article/noam-chomsky-neoliberalism-destroying-democracy/>.
- Monbiot, G. 2016, April 15. "Neoliberalism – the ideology at the root of all our problems." *The Guardian*. Retrieved from <https://www.theguardian.com/books/2016/apr/15/neoliberalism-ideology-problem-george-monbiot>.
- Oberdabernig, D. 2010. "The Effects of Structural Adjustment Programs on Poverty and Income Distribution." *International Conference on Macroeconomic Analysis and International Finance (ICMAIF)*. Retrieved from: https://icmaif.soc.uoc.gr/~icmaif/Year/2011/papers/paper_2_114.pdf.
- Polychroniou, C. 2015. "Greece, Europe and the Neoliberal Nightmare: Is There a Way Out?" *Truthout*. Retrieved December 28, 2020, from <https://truthout.org/articles/greece-europe-and-the-neoliberal-nightmare-is-there-a-way-out/>.
- Potts, D., and Mutambirwa, C. 1998. "'Basics Are Now a Luxury': Perceptions of Structural Adjustment's Impact on Rural and Urban Areas in Zimbabwe." *Environment and Urbanization* 10(1): 55-76. DOI:10.1177/095624789801000118.
- Sparke, M. 2017. "Austerity and the embodiment of neoliberalism as ill-health: Towards a theory of biological sub-citizenship." *Social Science & Medicine* 187: 287-295. Retrieved from: <http://www.sciencedirect.com/science/article/pii/S0277953616307079>.