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# NEOLIBERALISM AND THE TRIUMPHALIST JUGGERNAUT CALLED GLOBALISATION

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## Abstract

*This essay presents the neoliberal ideology as the force propellmg the triumphalist juggernaut known as globalisation. It gives a brief background of the ideology; describes the role of the International Monetary Fund (IMF) and the World Bank in implementing the policies of the neoliberal ideology; and examines the asymmetrical global trading system and the duplicity of the World Trade Organisation (WTO). The essay concludes that radical reforms are absolutely necessary in order for poor countries to share in the benefits of the current global capitalism, going by the name globalisation, and guided by the ideology of neoliberalism.*

## Introduction

The most dominant ideology today in the global arena is called neoliberalism, or the Washington Consensus, emphasising the US role framing the ideology. Liberalism has its roots in the works of John Locke and Adam Smith, both of whom argued that market forces will enhance prosperity, liberty and democracy if not encumbered by government intervention. The policy associated with this ideology makes privatisation, deregulation, and the dismantling of the welfare state a religion. Free trade which means open borders without tariffs and other restrictions, is a sine qua non for neoliberals (Eitzen and Zinn 2012; el-Ojeili and Hayden 2006; Oxfam 2002; Offiong 2001).

## Background

The faltering economy of the 1970s which included bankruptcies, rising unemployment, declining profits, fuel crisis and astronomical fuel prices gave impetus to neoliberals to attack Keynesian economics and to advocate a return to free trade, free of state involvement, and that this would usher in a new era in which the market regulates itself better than what the state could do.

The neoliberal ideology was given great impetus by the elections of Ronald Reagan in America in 1980 and Margaret Thatcher (the Iron Lady) in England in 1979. These two leaders became great friends and worked hand-in-hand on a number of international issues. To these leaders, liberalism became a religion and both embarked on reducing social spending, deregulating markets and privatising state-owned enterprises in their respective countries. In America this policy became known as 'Reaganomics." With the enormous political and economic power of the US and Britain (dominating international institutions like the IMF, WTO and World Bank), in addition to influential economists like Friedrich von Hayek and Milton Friedman, the ideology was soon to be the most dominant force in the new global economic order. Indeed, the global force known as globalisation is driven along by neoliberalism.

## Globalisation

The main force that impelled the world at the end of the 20th century was the all-powerful force called globalisation, the aggregation of "global interconnectedness" (Offiong 2001:1). This phenomenon has gained overriding dominance at the beginning of the 21 century. Globalisation is the consummation of the intemationalisation of capitalism and its associated social institutions and the subjugation of the peoples of the globe, which began several centuries ago (Offiong 2013); and has been significantly enhanced by the electronic media, thus creating a sense of a globally shared community (McGrew 1996:470).

Globalisation emphasises the "multiplicity of linkages and interconnectedness" that surpasses the nation states, which together constitute the modem world system. Information, goods, capital, people, knowledge, images, communications, crime, culture, pollutants, drugs, fashion, entertainment, beliefs, among others, all immediately move across territorial boundaries (p.470). Again, Haviland et al. (2011:22-23) see globalisation as a "worldwide interconnectedness," as evidenced in global movements of natural resources, human labour, finance, capital, trade goods, crime information, and infectious diseases. The birth of the internet, especially, has significantly promoted information exchange capacities.



Haviland et al. (2011:393) are of the opinion that globalisation is international capitalism building "on earlier cultural structures of worldwide trade networks, and it is the successor to a system of colonialism in which a handful of powerful, mainly European, capitalist states ruled and exploited foreign nations inhabiting distant territories." A massive, inexorable force, globalisation forces individuals, corporations, and political institutions to rearrange as well as restructure the political field to enhance their competitive advantage, competing for increasingly scarce natural resources, cheap labour, expanding commercial markets, and more and more profits. Global capitalists often rely on structural power to achieve their aim (Nye 2002)..

Structural power is of two types, "hard and soft" (Nye 2002). Hard power relies on military and economic force, while soft power calls for co-operation by appealing for change in ideas, beliefs, values and behaviours. Apart from military and economic hard power in the quest for dominance and profit, states and corporations employ ideological persuasion of soft power "as transmitted through electronic and digital media, communication satellites, and other information technology" (Havilland et al 2011 :393). Soft power takes up the responsibility to propagate the general concept of globalisation as something quite positive and progressive - bringing or enhancing "freedom," "free trade," "free" market and more. Soft power powerfully brands and stigmatizes anything that opposes capitalism in negative terms (p.383).

If globalisation produces economic magic or wonder for the globe (including Frantz Fanon's the wretched of the earth), if this is a neutral and so good a phenomenon, why all the media blitz? The fact is that globalisation is imperialism in disguise, dressed in a deceptive ideological suit. The apologists of globalisation preach the increase in world welfare and social harmony brought about by the lowering of trade and financial barriers and the expansion of world economic interdependence (Ruccio 2003). As will become clear, the international financial institutions have been given the responsibility to promote globalisation and, whether in Africa, Asia or Latin America, their role is to promote "global competitiveness" by aggressively promoting domestic and foreign investment and incorporating those countries into "global production chain by lowering the cost of operating" in those countries and reducing the size of the state via accelerated privatisation, which simultaneously strengthens "the public sector's role as facilitator of private sector development" (World Bank 1966). The fact remains that the five wealthiest countries in the world - United States, Japan, Germany, France and Britain - which control 40 percent of the global fund and dominate the executive board of the IMF are the beneficiaries of these two major goals. As observed by Havilland et al. (2011: 282), "the IMF's structural power is evident not only in which development projects and policies it chooses to give financial support, but also in its surveillance practices, which involve monitoring a borrower's economic and financial developments."

Reacting to the fact that globalisation has not been beneficial to poor countries, Oxfam (2002:5) states that "increased prosperity has gone hand in hand with mass poverty and the widening of already obscene inequalities between rich and poor." In their rhetoric, high income countries regularly stress their avowed commitment to poverty reduction. "Yet the same governments use their trade policy to conduct what amounts to robbery against the world's poor. When developing countries export to rich-country markets they face tariff barriers that are four times higher than those encountered by rich countries. Those barriers cost them $1OObn a year - twice as much as they receive in aid" (p.5). The hash reality of the policies of rich nations are inflicting enormous suffering on the poor. When rich countries lock poor people out of their markets, they close the door to an escape route from grinding and abject poverty. We turn to the role of the World Bank and IMF in enforcing the policies of neoliberalism.

## The World Bank and IMF

These two financial institutions are the enforcers of the policies of neoliberal ideology. The policy adopted by these institutions has been dubbed structural adjustment programme (SAP). The term describes the policy changes implemented in developing countries. The policy changes are conditions for getting new loans from the IMF and World Bank, or for obtaining lower



interest rates on existing loans. The conditions are implemented to make sure that the money lent is spent in accordance with the overall goals of the loan. SAPs seek to reduce the borrowing country's fiscal imbalances. Furthermore, they are meant to prompt the economies of developing countries to become more market-oriented, which in turn forces them to concentrate much more on trade and production so it can boost their economy. The IMF lends mainly to countries that face balance of payment problems (inability to pay their international debt), while the World Bank loans to fund particular development projects (Offiong 2013).

SAPs have been a disaster to countries undergoing them. In some cases the medicine given to cure the disease has either made the case worse or killed the patient. SAPs have been "unleashing a profound process of denationalisation of the state where it is restructured from a national to multinational state, virtually deprived of its sovereignty over development policies" (Ould-Mey 1996:xvi). Ould-Mey adds that African countries are "controlled by a complex of international economic investors" and are "experiencing systematic process of devaluation, a phenomenon that is contributing to the bizarre acceleration of net resource transfer from the South to the North (p. xvi). Neoliberal policies have "taken from poor countries control of their own economic policies and concentrated their assets in the hands of first world investors. While it has enriched some third world elite, it has subordinated them to foreign corporations, international institutions, and dominant states" (Brecher, Costello, and Smith 2000:3-4).

Commenting on the negative impact of adjustment policies, the UN Economic Commission for Africa (UNECA 1989) said that despite efforts, the crisis remained unbated." It added further that many African economies had moved from stagnation to declining growth; food deficits had reached alarming proportions; unemployment had mounted; under-utilisation of industrial capacity had become widespread; and that environmental degradation had threatened the very survival of the African people.

According to Susan George (1992), the pressure exerted by SAPs has been responsible for the collapse and chaos in Liberia, Somalia and Sierra Leone; it has equally been responsible for the destruction of tropical forests, urban pollution, hunger, desertification, and sickness. Paul Mosley and John Weeks (1993) concluded that there was no evidence that SAPs were helping the African continent along the path to economic recovery. SAPs are orchestrated by industrialized societies to "expand their markets, increase their exports, and secure debt payments through a carrot-and-stick policy of providing loans to fiscally bankrupt Third World governments in exchange for fundamental reforms in their political economy" (Ould-Mey 1996:20). If SAPs are declared successful, it is because nationalistic policies are for the most part reversed, resource transfer from the South to the North has accelerated, and liberalisation policies are sweeping the entire Third World, opening new markets and strengthening the umbilical cord between developed and developing countries through what many describe as the debt trap, where a nation seeks new loans to pay old ones. SAPs have succeeded in preventing the disruption in the world trade and payment system, which continues to transfer resources from developing to developed countries; this amounts to reverse Robin Hoodism.

## Rigged Rules, Double Standards And WTO's Complicity

International trade has the potential to reduce poverty and for increasing economic growth but "that potential seems to have been lost. The problem does not lie in the trade itself but the fact that the rules that govern it are rigged in favour of the rich" (Oxfam 2002:3). The WTO is dominated by the rich and powerful countries. In fact this situation is tantamount to the fox guarding the hen house. The irony is that rich countries close their markets and then enlist the support of the World Bank and IMF to serve as their debt collectors and to employ every means to pressurise poor countries "to open their markets at breakneck speed, often with damaging consequences for poor communities" (p.4). This has been compounded by low and unstable commodity prices, which consign millions to abject penury. Simultaneously transnational corporations (TNCs) are free to engage in investment and employment practices which encourage poverty and insecurity "unencumbered by anything other than weak voluntary guidelines." The WTO has contributed immensely to the problem by protecting the interests of rich countries and powerful TNCs in the areas of intellectual property



and investment, and services, while simultaneously imposing huge costs on poor countries (p.4). Let us use cotton subsidies to demonstrate the unfairness of "fair trade."

## *The Unfairness of "Fair Trade": Cotton Subsidies*

According to Mutume (2003:18), "rich nations of the Organization of Economic Cooperation and Development spent about $360m on agricultural supports during 2001, for a range of commodities." The West African nations of Benin, Burkina Faso, Chad and Mali, known as the Cotton-4 (C-4), produce the cheapest cotton in the world but instead of the farmers being able to support themselves and families, they are languishing in abject penury. Why? A major report by Fairtrade Foundation released on 15th November, 2010 reveals that the West African cotton industry is blocked by the US and European Union (EU) to their farmers. Fairtrade reveals that $47bn subsidies lock West African farmers in poverty.

American cotton growers and, to a lesser extent, Europeans, benefit from subsidies, thus creating a "global price dampening effect." Receiving no subsidies like their counterparts in the US and Europe, African farmers face insurmountable odds to compete. As a result of lack of revenue generated by the cotton sector, C-4 governments have been unable to build roads, ports or engage in other infrastructure to catalyse a garment industry that could offer employment to millions of people and thus create greater value in an underdeveloped sector.

According to International Cotton Advisory Committee (ICAC), "subsidies reduce prices by 10%; the World Bank says by 12.9%, amounting to annual revenue loss to African producers of $147m. Oxfam's calculation shows that removing US cotton subsidies alone would increase world prices by 6-14%, producer prices in West Africa by 2-9% - enough to support food expenditure for a million people" (Africa Europe Faith and Justice Network - AEFJN 2011:2). Oxfam in its report titled "Cultivating Poverty: The Impact of US Cotton Subsidies on Africa" has on its cover page, "American cotton subsidies are destroying livelihoods in Africa and other developing regions." By encouraging over-production and export dumping, these subsidies are driving down world prices.

Crucially important is the fact that the WTO is not insulated from the imbalances in financial and political power between rich and poor countries. African countries cannot challenge the trade policies of rich countries because they are especially vulnerable due to their high level of dependence on aid, debt relief, and trade preferences (Oxfam 2002). Examples include the preferences provided by the US under African Growth and Opportunity Act (AGOA) which can be unilaterally withdrawn. US food aid can be withdrawn or limited by the Secretary of Agriculture for any reason, including the filing of a complaint against US farm subsidies. The US occupies dominant positions on IMF and World Bank Boards and these international financial institutions play key role as gatekeeper for aid and debt relief. The US can exert its influence on any erring African governments.

## Conclusion

The international community must be willing to tame the triumphalist juggernaut, by which I mean reforming the current world economic order so that all citizens of the world benefit from its positive outcomes. I have discussed this topic in detail in my *Globalisation and Africa: Reverse Robin Hoodism* (2013) and I refer interested readers to that book. Here, I just reiterate that globalisation has not worked for the poor and what we see is ravaging poverty in the midst of plenty The US and its powerful economic allies must be willing to reform the current economic order, by which they will have to limit their excessive greed for profit and carry out the promises they have been making at international bodies, promises to help poor countries overcome their poverty and hunger. The starting point is to make the so-called free trade "fair" and free from rigged outcomes and double standards.

The policies of both the IMF and World Bank must be drastically reformed. The IMP and World Bank pressurize national leaders to place the interests of international financial investors above the needs of their citizens. By doing this the financial institutions "have short-circuited the accountability at the heart of self-governance, thereby corrupting that relief, and trade democratic process" (Global Exchange 2001:2), The subordination of social needs to the interests of financial markets has consequently made it



difficult for national governments to ensure that their nationals receive food, health care and education. Their policies favour corporations in the industrialized North while neglecting the needs of the poor countries of the world. The financial institutions "work as a kind of international loan shark, exerting enormous influence over the economies of more than 60 countries" (p.2). This policy must be reversed.

These financial institutions must radically rethink" their current approach to development finance policy conditionality." The World Bank in particular, according to the Eurodad Report of 2006, must "stop its tendency to micro-manage reform in poor countries." They must cease imposing "controversial economic policy conditions which push privatisation and trade liberalisation related reforms, even if these are contained in nationally owned poverty reduction papers." The World Bank should move to "out-come-based conditionality, linking aid to a few mutually agreed poverty reduction targets, based on the Millennium Development Goals or national poverty targets" (Oxfam, 2006).

These reforms and more will not amount to a magic wand that will immediately catapult poor countries into wealth. The international reforms must be augmented by domestic reforms, which will inevitably include seasoned and patriotic leadership, reducing the gigantic level of corruption in a country like Nigeria, reforming the astronomical waste in government where mercenary politicians earn many times more than their counterparts in wealthy countries like the US and Britain. The hopeless and crumbling infrastructure and educational system must be revamped.

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