

Globalized Neoliberalism: Refutation and Debacle

Ricardo J. Gómez
California State University
Los Angeles

Let me start with my own translation from a Mexican writer of a wonderful mini-model or analogy that , among other things, sharply summarizes the final consequences for our planet Earth of the globalization of Neoliberalism:

“The Earth in a downsized model: (en pequeño)

If we could reduce the population of the Earth to a town of just 100 persons, with all the existing human proportions that are permanent in the world, we would see something like the following: There would be 57 Asian, 8 Africans, 21 European, 14 of the Western hemisphere, north and south.. 52 would be women, 48 would be men, 70 would be non-white, 89 would be heterosexual, 11 would be homosexuals. 6 people, all of the United States, would possess 59% of the wealth of the entire world. 80 out of those 100 would live in shelters for poor people, 70 would be incapable to read , 50 would be underfed, 1 (only one) would have an University education, and one (only one) would have a computer. If you have food in the refrigerator, clothes in your closet, and a place to stay and sleep, then you are richer than 75% of the world population. If you have money in the bank, in your pocket or in the ashtray of your car, then you are among the 8% of the wealthiest global population. If you can read this message you are one of those fortunate persons who have the luck of not belonging to the two billion people in the world who cannot absolutely read”.

This quote from Carlos Fuentes says it all. He is talking of the increasingly globalized world, the outcome of the attempt to globally expand Neoliberalism. And it explains straightforwardly why do we say that Neoliberalism has been empirically refuted and that it led to an ethical debacle.

But, let us be a little bit more precise.

1. On Globalization

Globalization has the following characteristics: Temporally speaking, it is a recent, essentially novel phenomenon. Ideologically speaking, we place its origins after the Second World War, in the intellectual production of F. Hayek and his followers, mainly M. Friedman. Politically speaking, in the forced implementation of Neoliberal economics by Reagan and Thatcher. We, as Latin Americans, should not forget that the first political experiment by American conservatives took place in Chile in 1973, and we must also remember that Pinochet's main economic advisor was Hayek himself! The process was speed up with the collapse of the Berlin Wall, the dismemberment of the Soviet Union and the Eastern Block.

Constitutively speaking, globalization is characterized mainly by the following notes:

1. The universalizing of the economic ideology of the market. This involves:

(a) Elimination of all barriers for trade making the market more world-wide, transforming it into the main mechanism for assigning resources and establishing prices.

(b) Radical opening of the internal markets to the transnational corporations. In other words, internal markets are totally deregulated.

© Labor, like never before, became a mere commodity. This is stressed by all the measures taken against even already established legislation for protecting the workers. The neoliberal ideology implemented by the IMF and the WB requires the total flexibilization of the labor market as well as a deep reform of the social security system. This redefines the distribution of power between capital and labor.

(d) Radical privatization of all state companies and firms. States are made part of the world market. Their internal functioning is then assimilated to market strategies and policies.

2. Commercial expansion. This has a fundamental characteristic: Its rhythm of expansion is greater than the one of production, and that generates an increase in the relative weight of exports. All this is favored by 1b, with the addition that transnational corporations are asked to be treated as domestic ones. A corollary is that governments are prevented from

promoting any development favoring national enterprises. The economic policies of each state loses its national character.

3. Internationalization of the productive process. This takes place mainly inside each transnational company. At the beginning of the 80's there were around 39 thousand transnational companies in the world; today we have around 270 thousand. This increase is mainly produced by the growth in the different branches of each transnational corporation. This takes place because it is one of the ways of reducing costs.

4. The great casino. The financial bet is fundamentally a short term bet. The great casino does not reinvest, but fly away to where it finds the most advantageous rate of profit. The outcome: A situation of terror in all national states afraid of losing strong financial investments. The main consequence: A total dependence of the will of the ones making investments to the brink of making inadmissible concessions from the point of view of national sovereignty. This is extremely favored by the cybernetic revolution, making communication and transactions faster than ever before. Financial capital has been globally deregulated. Twenty years ago, 90% of capital was for investments and 10% was for financial speculation; already in 1990 those figures have been inverted.

5. As a consequence, we witness an unparalleled expansion of capitalism, mainly based in a fast and free mobilization of capital at a global scale. This globalization of the flux of capital is not paralleled to the same extent by a free mobility of the labor force. This is masterminded by the centers of economic and political power which generate and favor the free mobility of capital but brake and even stop the free mobility of labor force when it is convenient for them. The USA policy with the so called illegal aliens is a paradigmatic example of it. It is the same logic of capital that requires that globalization would not be a multidimensional one. For the reason of avoiding extreme social unrest, the center cannot allow the access of cheap labor force just in the center itself.

6. The dismantling process of the nation state. The first note of it is an increasing dependence of those countries that were called 'colonized countries' before upon economic and political power centers. Of course, this has provoked all forms of national struggles and reactions. There is no doubt that the wide increase of violent reactions everywhere at a national scale are reactions and defense mechanisms of different nations

to the attempt of homogenizing them. However, this should not obscure the following fundamental fact.

7. The existence of a new form of imperialism. This means the recomposition of public and private world hegemony of the United States with the help of homologating forums like Bilderberg Conferences (1954), Trilateral Commission (1976), Group of Seven (Davos). This, in turn, has caused,

8. A de facto world government with an unprecedented totalizing form of global control.

All the above notes are consistent with neoliberal economics and its implementation at a global scale, usually by political pressure and, if necessary, as it happened in Latin America, by military intervention. Then, we can state the final note.

9. Globalized neoliberalism or the economic logic of a new globalized imperialism is not married by necessity with democracy but, at most, by convenience.

Now, let us talk about the real costs of that expansion to the majority of the world population.

2. The empirical refutation of globalized Neoliberalism.

Hayek claimed (*The Fundamentals of Liberty*) that the liberal form of social order is that in which the well being of the poorest will most likely increase. Popper, the epistemological mentor of neoliberalism and Hayek's philosophical counterpart, stated that neoliberal theory had already recommended in 1956 economic policies that would eventually resolve massive unemployment, poverty, the lack of opportunities and the rigid differences between classes. The following empirical data emphatically show that Hayek's and Popper's expectations have been strongly refuted.

Let us start with global data, in order to concentrate later on in America Latina, and mainly in Argentina which was considered for many years, until its recent economic, social and political disaster, the preferred paradigmatic example of the advantages of implementing deep and thorough neoliberal reforms.

Already in 1992, one fifth of the wealthiest world population (the wealthiest 20%) received 82.7% of the total world income. More clearly, only one fifth of the world population received 4/5 of the world income. The middle class received only 2.3% of that world income stressing its gradual structural disappearance. More tragically, the one

fifth poorest population got a little bit more than 1% of the global income. Here we have the statistical manifestation of the globalization of inequality and exclusion.

In 1999 the actualized data are even more sadly impressive: In 1960, the difference in economic income between the wealthiest 20% of the world population and the poorest 20% was 30 to 1, whereas in 1994 that relation was 78 to 1. In 1996 the net value of the wealth of the ten richest individuals in the world was 1.5 greater than the total national income of all the underdeveloped countries. From 1998 to 1996 the number of multimillionaires increased from 145 to 447. In 1998 one billion people lacked appropriate shelter, and 800 million had no access to health services. Almost two billion people lived under the line of poverty, and almost one billion had to survive earning one dollar a day. No wonder that even J. Derrida, not precisely an extreme Leftist, speaks of the world plagues of Neoliberalism.

Argentina, in Latin America, is the most paradigmatic falsifying case of Neoliberal economic policies. As it is widely known, the first attempt to apply them was carried on by the Military Junta from 1973 to 1983. It was a total failure leading to the 1979-1980 economic crisis that impoverished the middle class, increased the number of unemployed people and, consequently made the number of poor Argentines grow.. But, the systematic implementation of Neoliberal economics took place under Menem's presidencies, between 1989 and 1998.

In those ten years there was a 98.8% increase of unemployed people and almost a 90% of sub-employed one. Today more than 20% of the whole population is without any job. Whereas in 1970 the participation of the employed people in the national rent was of 46%, today is less than 20%. Perhaps, the most thrilling of all that is that in the middle of 2003, 51% of Argentina's population lives under the poverty line, and around 30.5 (almost one out of three Argentines) survives in an indigent state of living. No wonder than one out of three elders (more than 60 years old) is plainly poor.

Class-differences increased dramatically. Around Buenos Aires, the wealthiest 20% received 54% of the total national income. That means that out of ten people, two get more than the other eight. And (remember, we are talking about the richest area in the nation), 60% of the total population earned less than \$200 a month. In 1970 the gap between the richest and the poorest was 12 to 1; now is 40 to 1.

Sometimes, it sounds as a masterpiece in hypocritical cynicism when people ask why there is social violence in Latin America. Well, listen carefully to those numbers above and you have the answer. The hard to explain miracle is why there is no more of that; more precisely, why there was and there isn't any serious and enduring sort of social eruption in Argentina. Moreover, once one knows that more than 80% of Colombians are poor, all that nauseating talk blaming narco-traffic of all the maladies is understood as a misleading political strategy for deviating the focus of attention from the real structural causes of Latin America disastrous situation.

Well, even some Latin Americans wonder whether Neoliberalism failed because we, the people of Latin America are less smart, not well prepared and not so hard working compared to other sorts of population. This demeaning and discriminatory line of thought, mainly endorsed by Conservatives and members of the upper classes, is also refuted by empirical data.

In 1998, in the United States the minimum salary bought less than in 1968, and there were around 47 million people without health care insurance. In the same year one fifth of the older people and one fourth of kids lived under the poverty line. After more than ten years of Reaganism and Bushism, in 1992, 20% of house owners in the US earned much more income than the 20% of those earning the lowest income., but most importantly their difference in income was 7.5 bigger than in 1969. The global effect was that 45% of the net national product was distributed among the 20% of the population with highest income (the highest after WWII). In Great Britain the difference between rich and poor during M. Thatcher's government also relevantly increased. In 1977 the income of the richest 20% was 4 times than that of the poorest 20%. Ten years later (in 1987) the difference was 7 to 1. It almost duplicated.

To conclude: No matter the area of the world, the implementation of Neoliberal economic policies increased the number of poor people and widened the gap between rich and poor, refuting both Hayek's and Popper's expectations. Moreover, those refuting facts constitute in themselves a sort of ethical debacle.

3. The ethical debacle: No one is responsible?

Poverty and inequality proved to be two unavoidable consequences of neoliberal economics. Why unavoidable? Plainly because neoliberalism presupposes some ethical assumptions and views, already in one of its masters, Hayek, which corollaries are the following disastrous ethical claims: (1) Social justice is meaningless, (2) Economic liberty does not go hand in hand with equality, and (3) No one, and even less, no group and society as a whole is responsible for being socially fair, helping the poor and mending the inequalities.

According to Hayek, human beings have become, by a long process of social selection, radically egotistic. Their actions are ruled by an instrumental rationality consisting in always trying to maximize the chances for achieving their preferences or goals. Humans, also are essentially free, and that freedom or liberty understood as the inexistence of any sort of interference, is maximally manifested in the free market.

Agents in a free market, attempt at achieving an ultimate goal, profit. Their freedom should be preserved by keeping out any factor that might interfere with the fundamental freedom materialized in the free flow of supply and demand. Then, it is rational to try to freely maximize profits, and it is part of the rationality in the market to accept that there will be winners and losers (the market is a Big Free Game in which people are free to participate). So, there is no one to blame when someone loses. And no one have any sort of commitment, compromise or obligation for helping the losers.

Moreover, Hayek assumes that human knowledge has unsurpassable limits. Then, they will never have that knowledge necessary for determining with precision the values of all the variable operating in the market. Their lack of total knowledge implies the impossibility of a total planning. And the meaningless of social justice, because for being socially fair and for redistributing correctly we should be capable of knowing adequately all the needs, preferences and goals of all the people. Insofar as this is impossible, it does not make any sense to talk of being socially fair. Moreover, any demand of justice makes no sense in the context of an evolutionary process, which is basically neutral.

And, we cannot define a scale of values outside the market, because we are not omniscient. We must remember that it is the market itself that defines its own hierarchy of values (as well as all the prices making them accommodate to each other fluently)

Therefore, we do not have an external system of values for evaluating the morality of the market itself. Consequently, the market is not only the locus of supreme rationality and pure, untouchable liberty, but also the supreme entity existing beyond any human moral judgment.

Inequalities are inevitable because they are the consequences of the free operation of the Big Game. There are no concessions: that liberty is the supreme value to which everything else should be sacrificed. The existence of inequalities, poverty and social injustice is the prize to be paid for keeping untouched that supreme value.

Consequently, it is totally rational to keep things the way they are. To try to change them radically, would be the supreme irrational act, because it would be to defy the purity of the supreme value. No wonder all Neoliberals put tradition and its maintenance in front. Any attempt at carrying out a thorough and deep structural revolution would be supremely irrational (quite a legitimation of the status quo) . One enormous consequence is that the society economically structured according to the requirements of neoliberalism is the End of History. It will and it should not be overcome because we have arrived at the supreme manifestation of liberty and rationality. Hayek had already legitimated our Latin American Presidents far cry: “No hay otra” (there is no another one alternative). Any other alternative order is out-side of the only really possible place (topos), the neoliberal capitalist society. Any other system is out-of-place, i.e. is u-topos. As many politicians, mere servants of the prevailing system, have mechanically repeated: Everything else is mere utopia.

We have already said that the market and its morality is beyond human judgment, and insofar as it is supremely free and rational we should never, whatever happens, no matter how poor we are, lose our faith in it. No doubt, the market looks like God. We are witnessing a new theology: the morality of the market as theology. Nobody can understand the will and future designs of God. Analogously, Hayek affirms that nobody can understand the design and future behavior of the market. No agent participating in it can judge it, or to lose her faith in it, nor completely understand its operations. Smith had made God the ultimate foundation of the market. Hayek took a step forward in making of neoliberal economics a new kind of dogma: the market is like God.

4. Moving on to a critical social science.

We want to claim that all those ethical consequences mentioned above just by themselves condemn neoliberalism as anti-humanistic.

Hayek's main premises are unacceptable because they are not true or extremely debatable. It is not true that human societies evolve like biological species. Darwin himself in "The Ascent of Man" (1871) emphasized that there a paradox consisting according to him in the fact that "the ruling principle of evolution is natural selection and implies the elimination of the least apt in its struggle for survival, but in humanity it selects a form of social life that in his march towards civilization tends more and more to exclude the eliminatory behaviors, through the interlinked play of ethics and institutions"(1871, 68). In other words, without such inversion, there is no civilization. Then, current human society is not anywhere the outcome of a process of natural selection. Hayek has naturalized, i.e. fetichized a social process. It is neither true that human rationality is reduced to the ratioinality of the market, because an authentic, comprehensive rationality should encompass the rationality of the aims or goals and not merely of the means for achieving those goals; but, this is out of the question for Hayek, neoliberals and any sort of empiricist view of rationality. That is why Popper claimed, and Hayek agreed, that the decision about the goals is always pre-rational. According to us that is an explicit recognition of the limits of their own view of rationality, one that explicitly and unavoidably leaves out the most important issue of human agency, its goals.

Their view of liberty is also an extremely narrow one. They reduce it to negative freedom, i.e. the lack of interference. But, ethicists for centuries have been stressing that what is most important is positive freedom, our capacity of being autonomous, of giving our norms of behavior. Neoliberalism negates that, when it stresses that we can't and shouldn't look for moral norms other than the ones dictated by the market. But again, this does not point to a human impossibility but to a limitation internal to their own conception of freedom.

If a natural selection legitimation of current Neoliberal society is out, it is also out its legitimation of the meaningless of social justice. Yes, we can and we should talk of that because the process leading to human society is not a mere natural, socially

neutral process. Besides, in order to be socially fair we do not need to have total knowledge of all the intervening variables, but a sufficiently appropriate knowledge of the relevant variables. Accordingly, inequalities and poverty are not inevitable. It is the neoliberal ideology that make them so. But, that is what we are denouncing, that it is a mere ideology grounded in wrong or highly debatable assumptions.

Therefore, the current situation in Latin America is not the necessary outcome of iron scientific laws out of undeniable premises, but the result of wrong political decisions legitimated by a set of assumptions that do not resist any sort of well-grounded and progressively oriented criticism.

Then, the first note of economics as a critical social science is to start adopting opposite ontological (what humans are), epistemological (what rational knowledge is), and ethical (involving a conception of freedom, human goals and action completely different) assumptions. Among the ethical assumptions to be changed are worth to mention: Human beings are not basically egotistic. Their ethiccity includes their solidarity with others. Freedom is not merely negative, it is freedom *for* understood as the capacity of everyone to give her own norms for action. To interfere in the market is not to interfere with real human freedom. Social justice is a non-negotiable social commitment/obligation of society. The market and its ethics are not beyond all ethical judgment.

The supreme value of that humanistic ethics is the reproduction of life in plenitude to which any other value should be subsumed.. This means that “ anyone who acts ethically *must* (as an obligation) responsibly produce, reproduce and develop the concrete life of every human being in a *community of life*.. having as ultimate reference all humanity.” This principle called by Dussel *ethics material universal principle* is such that from it, it could be argued convincingly against the cynic (Hayek) who justifies the elimination of the losers in the free market (2000, 141). The supreme ethical principle must be, according to Dussel, a principle of life and not a principle of death.

5. Some lies, fallacies and contradictions

Of course, neoliberals have some standard replies to the claim that reality and ethics have refuted their view. One of them is that although neoliberal economic policies

have not worked so far, they will succeed in the future. This resembles certain signs hanging from the ceiling in many stores in South America; "Today we do not give credit, but we will do it tomorrow". Here we are witnessing what Hegel called a "series of bad infinitude", insofar as it is a sequence that never converges. In other words, we will never have the warrant that those policies will succeed. Another strategy is, anytime there are refuting instances of a scientific claim, let us narrow the limit of its applicability (Friedman). But, to do that systematically is to make the world irrelevant for the acceptance of our claims. In the case of hypotheses of political economy it means the disappearance of it as a science and its transformation into a metaphysical dogma.

There are a vast number of contradictions permeating Neoliberal political economy. One of them is between the requirement of a free market without any sort of interference and on the other hand the appeal to protectionist barriers by certain governments. In fact, Neoliberalism is not truly liberal, but a form of a strong state-interventionism with a bonus: that intervention is always in favor of the few wealthiest and most powerful people. Another important contradiction is the one between the demand of non-state intervention for helping the poor and correcting inequalities and asking the state to invest money for paying more repressive forces (police, army, paramilitary forces). Then, it should not surprise us Popper's shocking claim: "No freedom to the enemies of freedom". Needless to say that the enemies of freedom for him are mainly those opposing to the free market. It is exactly this line of thinking the one that Hayek used for legitimating Pinochet's dictatorship. No doubt: even political freedom and the will of the majority must and is sacrificed in the altar of the freedom of the market.

A terrible consequence of that contradiction is the lamentable opposition between the condemnation of terrorism and the use of state-terrorism. This is closely related to the difference between direct and indirect violence. The last one is exerted any time people are denied their basic human rights; it is violence against their human condition. Poverty, hunger, unfair salaries, unemployment, racial and gender discrimination are all forms of indirect violence. And it is usually the ultimate cause of direct violence to which people appeal as the only remaining way of defending their rights to continue being humans. This direct violence is the one being responded with state repression by using

the excuse that it is the other side who started the whole thing, and consequently should be unilaterally punished. But this is a flagrant lie. Violence started before, indirectly but with more deadly effects than any other form of human violence. It is estimated that in WW2 almost fifty million people died. Since then almost an equivalent number have died in military conflicts. But this terrible figures pale in comparison to indirect violence. There are between sixteen and eighteen million annual deaths because of hunger, lack of potable water, elementary medical assistance , of housing protection and clothing. That's almost fifty thousand deaths a day. If the Holocaust put to death six million Jews, with indirect violence is as if we produced three Holocausts a year. From a moral point of view, it is not only serious that these happenings occur, but that we *know* they are occurring and that there are even some fellows that claim that there is responsibility of no one to end it, although at the same time, they bless and justify any devastatingly violent repression against direct violence. And, contrary to their weak arguments, we can, on a global scale, count on technical means which could, at least, placate those events.

Misery is violence because it impedes the satisfaction of basic human necessities, repression is a violence because it curtails the enjoyment of basic liberties.

Perhaps, the most outstanding contradiction is the one realized recently in Argentina. The same Secretary of Economics who had preached for ten years the sermon of total free market, finally signed a decree restricting the freedom of people for taking out money from their bank accounts. The paramount expression of capital, money, was restricted to flow freely. Isn't it wonderfully and terminally contradictory?

However, the sermon continues. With time, patience, and good will, all people on Earth if they would live under neoliberal capitalism would enjoy all the benefits of it. No way. It is the outcome of an elementary statistical projection that if every family in the world would have the life-standards of the average American family our world would be inhabitable. There would not be enough food and the emission of gasses would have made the ozone layer disappear ending with human life. Neoliberal capitalism has its own spatial limits. It cannot be equally expanded everywhere. It logically requires that there will always be many losers in order to allow some to have a real human life.

To sum up: Not only Neoliberalism worsened the human global situation, increased poverty and social inequalities but also reduced and distorted fundamental concepts like humanity, liberty, knowledge, and mainly, what is rational and good.

Contrary to Hayek's famous dictum when receiving the Nobel Prize, Neoliberal Capitalism has not sent us to Heaven but to Hell. And again, contrary to him, to try to change it radically will not send us to Hell. In Latin America, and now in many other places in the world, people are already in Hell. There is nothing worse than to stay in it. At least in Latin America, it seems that we are becoming clearly aware of who is the real responsible of that situation. And we, although slowly and gradually, are starting to take some steps to move out of the flames. These are real Good News.

End of History? Absolutely, not. We are moving its Wheel again.