

Unmasking Neoliberalism: From Welfare Commitments to Market Commitments

Sachinder Singh, Rohatak, Haryana

Abstract

The doctrine of 'welfare state' dominated the world thinking from the end of the World War II to the 1970s. It was the period of high economic growth and employment. However, the economic changes of the late 1960s and early 1970s started questioning the Keynesian-welfare state and other collectivist strategies to regulate the state. A new system of political and economic regulations under neo-liberalism has started to emerge and very soon spread over a large space. It is about de-regulation, liberalization and privatization of economy; private property right, individual liberty. Recently the usefulness of this ideology is seriously being questioned the world over. The paper traces this shift from 'welfare commitments' to 'market commitments' and the challenges posed by it.

Keywords : Welfare State, Neo-liberalism, Commitments, Democracy, Inequality

Introduction

Neo-liberalism is one of the most widely used terms in contemporary social science literature. Its usage is more in currency in literature coming from the West. This is despite the fact that all along with the recent 'Occupy Wall Street' demonstrations and other similar movements in other parts of the world, economies of a large number of developing countries are influenced by it. Social scientists are paying considerable attention to neo-liberalism as an economic and political ideology. Geographers are party to it, however, their "growing attention to neoliberalism...is new" (Springer, 2010:1025).

Neo-liberalism is "a political and economic doctrine as well as a set of economic policies that have become hegemonic in the last quarter of the twentieth century" (Schnitzler, 2008:473). This

economic and political ideology was framed by big financial institutions like the World Bank and the International Monetary Fund (IMF) to streamline the development process specifically of the developing countries. All these transformations came under the 'Washington Consensus'. Usually it is said to be a policy framework that emphasizes on free market; de-regulation, lowering of tariffs and privatization of state assets and services. This new economic thinking was tested for the first time in the case of a developing country, Chile, when a military coup led by Augusto Pinochet, guided and operationalised by C.I.A. took place in 1973¹. Later on it was implemented in many developed and developing countries. It even entered former Soviet Bloc and China. Its relevance is now seriously being questioned the world over and people are searching for some viable alternative.

1. Changeover From Liberalism To State Welfarism

From the later part of mercantilism to the period of decolonization, the world was divided into two broad regions: economically developed world (i.e. 'core') and the colonies of the Imperial powers. The former was represented by countries having all traits of modernism with emphasis on industrial development, science, logic leading to better way of life. The latter was by and large a group of countries acted as supplier of raw materials to the developed world. The economic policies of the colonies were structured in such a way that these were made dependent on the core. Almost all economic benefits accruing under this process went to core. The main guiding element of the Western developed world was its emphasis on development through market with minimal state intervention. It emphasized on the idea of liberalism (John Locke, David Hume, John Stuart Mill) and was closely associated with the economic doctrine of *laissez-faire* (Adam Smith, Thomas Malthus, David Ricardo). The overall importance was given to individual values and superiority of free markets over state regulations. It was about individual freedom, free competitive market of individual suppliers and individual purchasers. It was argued that a private enterprise economy would achieve a more efficient allocation and use of scarce economic resources and greater economic growth. It also favoured free trade between countries. The linkage between the capital, labour and resources was largely allowed to be organized, monitored and used by the private enterprises. This classical liberalism was progressive in the sense that "it questioned the authority of the

landowning nobility, the grand merchants and the monarchical state" (Peet, 2003:4-5). It separated church and the state. This kind of mode of production, however, failed to work well during 1920s and 1930s. There were many reasons to count (Donaldson and Pollins, 1978:44-47). One, during the World War I many countries of the world transferred their resources from the production of public goods to the production of weapons. This had affected the flow of imports and exports. Two, the world had experienced depression of 1929-33. The main thing about the depression was that it was unlike earlier slumps in the economy which were taken care off by the 'invisible hands' of the market. It kept going on. Three, capitalism was challenged by a new type of society that came into existence in 1917 in Russia, a new government based on the ideas of Karl Marx.

After the Great Depression of 1929-33 and the World War II, the role of state in regulating the economy and public life scaled new heights. It was particularly the case with West European states and some other states (e.g. USA) which later on transformed into Liberal Welfare states. The objective of the state was to provide more and more welfare benefits for its citizens. This was the period of public ownership of public assets. This model of state acquired prominence and maintained its momentum for many decades to come. Consequently many states, beyond the confines of socialism, became states of mixed economies. Important sectors of economic and social development were either controlled by the state or run by the state.

This changeover from once 'liberalism' to 'welfare state²' can be understood in the backdrop of the economic trough of the

1920s/1930s. Till now state played a rather limited role in the economic and social life of the people living in its territorial limits. The state's role was that of a 'night-watchman'. It was limited to the maintenance of law and order in society, protection of private property rights and protection of its citizens from outside aggressors. Building relations at the international level and imperial policies were more important than the domestic issues. Under the economic downturn of the 1920s/1930s the core countries of the world-economy experienced downfall in their economic growth rates. It was accompanied with mass unemployment and poverty. It built a strong platform for the changeover from 'liberalism' to a 'welfare state'. In that period of economic crisis, the immediate purpose of the state (as a provider of last resort) was to provide some kind of relief to the families with no means and to frame some sound economic policies for the generation of full employment.

This type of state promised to provide a variety of welfare services to its citizens more notably services related to education, health, old age pension, unemployment allowance etc. With the passage of time, it attained more and more commitments for the management of society and economy. The important elements of welfare state were regulation, investment by state, protection of citizens and their property, provisions of welfare services. As a part of redistribution policy, high tax was levied on rich people and profitable corporations. This type of state is "conventionally seen as having been born in 1883, when Germany introduced compulsory health insurance. After that, start dates varied, with, for instance, the British welfare state originating around 1910 and the U.S. one in the 1930s. Equally,

coverage varied over time and space: if the United Kingdom led in the extent of coverage in the 1940s, it was soon overtaken by the Scandinavian countries" (Rapley, 2005:35). This indicates that development of welfare state was uneven not only in terms of introduction of welfare provisions, but also "geographically in the *form* which it took in various countries, and in its internal spread across space *within* countries³" (Painter, 1995:78). To begin with, many European states introduced social insurance schemes under which a worker deposits a small and regular contribution to public insurance fund for taking benefits in the case of accidental illness or as an old age pension. In United States, such schemes were launched by President Franklin Roosevelt in 1930s (1933-36) under the 'New Deal' to promote economic recovery. It came in response to the Great Depression of 1929-33 and was based on '3Rs': Relief, Recovery and Reform. The New Deal legislation included the "establishment of the Civil works Administration to address unemployment, the National Recovery Administration to restore industrial production, and the Agricultural Adjustment Administration to bolster farm production" (Knox, Agnew and McCarthy, 2003:157).

This period also witnessed enormous impacts of John Maynard Keynes, a British economist, on the question of how to regulate the state economies. Through his book *The General Theory of Employment, Interest and Money* (1936), he successfully challenged classical liberal ideas and argued in favour of acquiring a greater role by the government. Due to recession there was lack of demand which inversely affected the production system as well as the possibility of employment generation.

This had minimized the chances of private capital investment. Keynes argued that in such a situation, government could intervene to raise the levels of demand for goods and services. State government could go for 'deficit financing' (more expenditure than the saving) to raise the public expenditure as a short term policy. This would stimulate production, employment and demand. In Keynes's view this could increase inflation but that be controlled by adopting other means. The effect of Keynesian ideas on different state leadership was so strong that the US President Richard Nixon proclaimed as late as 1970 that "we are all Keynesians now". The overall scenario was "sustained by a tripartite social contract involving the large corporations, organized labour, and the state" (Harvey and Scott, 1989:217). State under its new role started actively mediating in the agriculture, industrial policies and set standards for a variety of welfare systems. During this period, the business activities "became more organized as companies set out to serve regional or national consumer markets rather than local ones. Labour markets became more organized as wage norms spread, and government began to be more organized as the need for regulation in public affairs became increasingly apparent" (Knox, Agnew and McCarthy, 2003:8). Harvey (June 19, 2006) has called this form of politico-economic organization as "embedded liberalism".

At the time when the economies of the developed world were in the process of adopting Keynesianism as a way out to get rid of the recession and to improve the economic and social life of the people living therein, a different struggle was going on in other parts of the world. Mass movements against the imperial powers were gaining

strength day by day in different colonies. Beginning with the independence of India in 1947 all the imperial powers began to surrender their colonies and by the late 1960s and early 1970s most of the former colonies were free. However, the political freedom for the developing countries was not accompanied with economic freedom. The same was highlighted in the dependency theory that in the existed world economic scenario, "the developing world or 'periphery' was largely relegated to provide raw materials and agricultural plantation products for the industrialized economies of the core. High-value manufactured goods were exchanged between the industrialized countries, and some were exported back to developing countries which therefore performed a dual role as both sources of raw materials and markets for finished products"(Coe, 2011:94). Freedom from the colonial rulers gave these countries an opportunity to frame their own economic policies and their implementation. Majority of these countries erected barriers for the entry of foreign goods. The purpose was to give strength to the emerging agriculture and industrial base. The dependency theories appeared during this time favoured greater role of state in economic framework.

2. Changeover From State Welfarism To Neo-Liberalism

Everything went well for the welfare state during the Golden Age of Capitalism (1945-1973). Fordism as the mode of production was successful. Mass production based on assembly line technique and Taylorism was accompanied with mass consumption. Corporate profits were high, inflation and unemployment rates were low and there was a high level of prosperity in the social and

economic life. However, as per the general character of capitalism after attaining the period of 'upturn' it was the time for the 'downturn'. The economic changes going on between late 1960s and early 1970s put brakes on the state controlled development process. The period of 1970s had witnessed a set of fundamental changes which led to much economic uncertainty in the world economy. There was global economic recession. It was accompanied with problem of stagflation, increasing balance of payment deficits, decline in world trade etc. "The rate of profit for companies in the USA and Europe declined from a height of 20-23 percent in the early 1960s to 13 percent in the early 1980s...unemployment rose from 3.5 percent in 1970 to 8 percent in 1975 and 9.5 percent in 1982-83 in the USA and to 10 percent in Europe in 1985" (Peet, 2007:70-71). There were various factors behind this economic crisis which worked in tandem and the crisis hit both the developed and developing countries with different degrees of severity. It was this period of crisis that built the platform for an alternative way of development in the name of 'neo-liberalism' which has emerged as the dominant paradigm of global development today. The emerging tendency is to withdraw state from many activities and promote marketisation of state's activities. It means deeper and deeper penetration of market forces in varied aspects of public life. This is a dynamic process (i.e. neoliberalisation, neoliberalisms) and is going on in all types of economies in the world. However, the benefits accruing due to changes in economic policies are lopsided. This changeover from 'statism' to 'marketisation of state's activities' is basically based on what Steger and Roy (2010:14) termed

as "D-L-P Formula", i.e. the processes of deregulation⁴, liberalization (of trade and industry) and privatization⁵. It is argued that the most efficient form for organizing economic activities is the free market, and if markets do not exist they require creation even under the auspices of the state.

It was in the late 1930s that the term 'neo-liberalism' was used for the first time. At that time very few thinkers were involved in developing this idea. That was the period of crisis for the *laissez-faire* economics and the rise of socialism and fascism. A group of 26 liberal thinkers (Friedrich von Hayek, Ludwig von Mises, Michael Polanyi, and Wilhelm Ropke to name a few) met at Paris in 1938. The group sat to discuss Walter Lippmann's book *The Good Society* (1938) and argued against the "rise of statism and planned economies". They were of the view that the increased role of state in the lives of people (and economy) had taken away the individual values and economic freedom. The participants discussed "names for the new philosophy of liberalism they developed, including 'positive liberalism', but eventually agreed on 'neo-liberalism' giving the term both a birthday and an address" (Springer, 2010:1027). This newly formed group of neo-liberal thinkers was influenced by Hayek's *The Road to Serfdom* (1944) and many of them met again in Switzerland to form the *Mont Pelerin Society* in April 1947. A group of 36 scholars was invited by Prof. Hayek to meet at Mont Pelerin, near Montreux, Switzerland. The group met from April 1-10, 1947 to develop neo-liberal ideas and disseminate the same at a larger scale. The Chicago School of Economics and more notably Milton Friedman were also instrumental in diffusing and making

this idea popular. Later on at the level of government, it was followed by Margaret Thatcher (Thatcherism) in Britain and Ronald Regan (Reaganism) in United States. With some differences, both the leaders went for neo-liberal economic policy framework. However, there was a general agreement for reducing government spending, weakening the power of trade unions, and promoting economic and trade liberalization. The big financial institutions like the World Bank and IMF were responsible for the world-wide spread of neo-liberal policies in the name of ‘Washington Consensus’.

The Washington Consensus was prepared and agreed upon by the government of United States and predominant financial institutions like the World Bank and International Monetary Fund for the development in world in general and developing countries in particular. The term was coined by one British economist, John Williamson, in 1989. Since this agenda of economic transformation was formulated in Washington, D.C. it was named as ‘Washington Consensus’. In the backdrop of Williamson’s thinking were the changes in the economic policy going on in the Latin American countries in the 1980s. There were shifts in emphasis from the policy of import substitution, state controlled institutions (inflationary finance) to free trade and minimal role of the state. The emphasis on free trade and declining role of state in production and distribution process were the key elements of development policy of developed countries but were exported to majority of the developing countries, and countries which were in transition stage from socialism to capitalism. The developing countries were asked to modify their economic structures as per

the ‘Structural Adjustment Programmes’ (SAPs). “Stabilize, de-regulate, open up and privatize became the slogan of the technocrats and political leaders through the 1980s, and it inspired a wave of reforms that had transformed the policy landscape of much of the developing world by the early 1990s. The common denominator was the drive to extend private property rights geographically and “vertically”, to types of assets not previously privately owned, and in this way expand profit opportunities for global firms facing declining profits at home. The reforms accelerate the “financialization” of world economy and the shrinkage of the economic sovereignty of the state” (Wade, 2008:30). The most important thing about the ‘Washington Consensus’ or ‘neo-liberal globalization’ was that it was “conceived of as a blanket prescription for the problems of less developed world⁶⁷” (Gwynne, Klak and Shaw, 2003:4).

It was the happenings of 1960s and 1970s that led to the structural changes in the world economy. It had its beginnings in the USA but it soon spread to other parts of the world. In fact, after the World War II, USA had emerged as the only power having supremacy in both economic and military arenas. In order to have its dominance the world over, it invested million of dollars. It was involved in wars. As per Wikipedia—the Free Encyclopedia, between 1965 and 1975, the USA spend \$ 110 billion in its war against Vietnam. Manufacturing sector which was involved in production of consumer goods shifted its attention to the demands of military. Excessive military spending in terms of involvement in war, establishment and maintenance of overseas bases, weakened the US economy. In order to fulfill the demand, products from other

countries (German, Japan) started entering the US market. Imports started increasing which inversely affected the value of dollar. Inflation was high. Since there was downfall in the manufacturing sector, the problem of unemployment started soaring. On the one hand, there was downfall in the economic growth rates, rising problem of stagflation; on the other hand, there were welfare commitments. Labour unions were strong. The led to what Harvey (19 June, 2006) has termed as a kind of class revolt by the elite class as their incomes and assets were severely stressed. This class wanted some other way to regulate the economy.

The other important factor which had deepened the economic crisis further was the OPEC oil crisis which struck the world in September 1973. It was the period when the demand for oil as the main source of energy was climbing the world over. Upto around 1972, the “industrialized countries took 80 percent of all internationally traded oil. This was also a period of substantial economic progress in much of the Third World, which was basing its industrialization upon cheap imported oil” (Berry, Conkling and Ray, 1987:361). In 1973, following the ‘Yom Kippur War’ between Israel and surrounding Islamic states and aid to Israel by USA and other Western countries, the Arab members of OPEC declared an embargo on oil supply to these countries. The cartel not only increased the price of oil fourfold (prewar price of \$ 3 per barrel to \$ 12 per barrel) but also placed a ceiling on the volume of oil to be taken out and to be sold. In 1979, following the Iran-Iraq war, the price of oil in the world market again jumped from \$12.70 in 1973 to \$41 per barrel. This had slowed down the development process the world over. Now

countries had to divert more resources from their foreign exchange reserves to purchase the dearer oil. The effect was more severe on the developing countries as developed economies started exporting costly finished products to newly rich OPEC. However, as the goods manufactured in developed countries were becoming costlier the level of demand was effected. “The combined oil revenues of OPEC, which were only \$ 7 billion in 1970, quickly rose to \$ 72 billion in 1974 and to \$ 300 billion in 1980” (Berry, Conkling and Ray, 1987:362). Some of the developed countries (particularly USA) were able to take indirect advantage from this accumulated money. It is “now known from British intelligence reports that the US was actively preparing to invade these countries in 1973....the Saudis agreed at that time, presumably under military pressure if not open threat from the US, to recycle all of their petrodollars through the New York Investment banks” (Harvey, 2005:27). In this way these banks (and the US) got enormous money back. Profitable avenues were searched for investing this money. Developing countries at the same time were debt ridden and in need for money. However, the US wanted secure conditions for lending the money. In this process, the IMF and the World Bank “became centres for the propagation and enforcement of ‘free market fundamentalism’ and neoliberal orthodoxy. In return for debt rescheduling, indebted countries were required to implement institutional reforms, such as cuts in welfare expenditures, more flexible labour market laws, and privatization. Thus was ‘structural adjustment’ invented” (Harvey, 2005:29).

The 1970s was also the period wherein international economy started experiencing New International Division of Labour.

Earlier the developing countries used to export their raw materials and agricultural products to developed countries in exchange for manufactured products (i.e., the International Division of Labour). However, less demand for the manufactured goods in the core region, increasing inflation, soaring unemployment rates had compelled industrialists to search for new avenues. The traditional manufacturing regions of Europe and USA had experienced decline in the manufacturing employment in 1960s, 1970s and 1980s. There was disinvestment in the manufacturing belts. This shift in investment from traditional manufacturing areas to new areas was at the cost of old industrial regions⁷. New avenues for capital investment were searched. In this search they found 'state' as the safest avenue. It was, however, not straightforward as developing countries under the import substitution policy had laid down various restrictions for the entry of foreign goods. The IMF and the World Bank broke down those shackles for the transnational corporations (TNCs) of the core economies. The process of 'deindustrialization' in the core region, and entry of TNCs in the developing economies started giving new meaning to the traditional core-periphery relations. It gave way to 'New International Division of Labour'. Now core economies are no longer the sole manufacturing zones of the world. The advancements made in transport and communication technologies (i.e. space and time compression), material handling technologies assisted these TNCs in managing their production systems spread over different parts of the world. Industries moved from 'vertical integration' to 'vertical disintegration'. Rather than producing the whole product,

companies now give contracts to different firms specialized in making different sub-parts as a cost reduction strategy. Production process shifted from 'resource driven' to 'demand driven'. Keeping in view the changing tastes of consumers, production is now based on 'Just-in-Time' technology assisted by Computer-Assisted-Design (CAD) and Computer-Assisted-Manufacturing (CAM).

The off-shoring of industries from the core economies to the developing economies had created a new economic environment. New areas gave TNCs new opportunities for capital investment and profit; however, this required more efficiency in regard to production, distribution and management. Horizontal integration of industries is still going on as small and non-competitive industries were/are taken over by big industries. In this way, the world has witnessed both, the world-wide spread of industries, off-shore financial centres, and concentration of capital. Some of the TNCs became economically more powerful than even many sovereign states.

The other major restructuring was in the case of 'labour market'. There was decline in the growth rate but the state welfare commitments continued even under the rising financial crunch. This was treated as unnecessary burden on state exchequer. The process of deindustrialization had decreased the number of workers and disempowered the labour unions. This had led to disciplining of the labour force as they had to accept the lower wages. There were strikes but crushed at the political level. Margaret Thatcher did it in Britain which opened the gates for privatizing the state assets. "Faced with strong market volatility, heightened competition and

narrowing profit margins, employers have taken advantage of weakened union power and the pools of surplus (unemployed and underemployed) labourers to push for much more flexible work regimes and labour contracts” (Harvey, 1989:150). The entry of TNCs in developing countries has generated employment opportunities but it is more low paid part-time employment. Majority of these new locations of employment in developing countries are those “where the social contract with labour was either weakly enforced or non-existent” (Harvey, 1989:141). Now employment is secure only for a few highly skilled persons. It is common to find part-time, temporary or contractual employment. With no security of jobs, no provident funds, no pension, it is all leading to insecure future. These part-time employees are the main sufferers. At the time of normal economic period they get low salaries and at the time of recession they are the first to be shown the door or to work much below than the normal time salaries. We have witnessed it at many places during the recent economic recession.

2.1 Neoliberalism: Emerging Scenario

The 2008 financial meltdown gave serious shocks to the world economy. It is considered to be the severest financial crisis since the earlier downturn of 1930s and is still continuing. The ongoing neoliberal policies are considered to be the main cause behind all this. For quite some time, efforts are going on at many levels to challenge the neoliberal policies. At the theoretical level, the contributions of Thomas Frank, Roberto Unger, Joseph Stiglitz, Noam Chomsky, David Harvey, Nick Couldry etc. are worth mentioning. Protest movements against

these policies started with uprising of the Zapatista⁸ Army of National Liberation against the Washington Consensus in 1994. It deserves to be mentioned here that millions of people around the world (Seattle, Davos, Washington, DC, Melbourne, Selzburg, Manila, Prague etc.) protested against the World Trade Organization meeting held at Seattle in 1999. Protests against these policies are gaining more and more geographical space and the latest in line is the recent ‘Occupy Wall Street’ (OWS) movement and other similar movements⁹ going on in different parts of the world. Establishment of World Social Forum (WSF) in January 2001, in Porto Alegre, Brazil was also a step forward in this direction. The rallying cry of the WSF is ‘Another World is Possible’. All these are doing commendable work in awakening people to challenge the legitimacy of the neoliberal policies.

What these neoliberal policies have done that people are coming to the streets for showing their resentment the world over? More interestingly it is happening even in countries where these policies were adopted voluntarily (e.g. USA, UK) and subsequently spread to developing countries like India. The way people have voted in the recent elections in Europe is a clear cut signal that questions related to people’s welfare cannot be ignored for a long time. The rise of Francois Holland as French President (15 May, 2012) was a vote against the austerity measures which are going on in Europe in recent years. The following text highlights some of the general ill-effects of neoliberal policies which are principal causes behind these protests the world over:

i) *It is exaggerating inequalities:*

The narrative of the advocates of neoliberalism was that liberalization of trade and minimally regulated markets will lead to high economic growth rates and dramatic improvements in the living conditions of people the world over. Harvey (2005) has, however, noted that the actual implementation of neo-liberal policies is about “restoration of class power”. The economic gains of neoliberalism are lopsided. The maximum share of the economic benefits is going to a small rich group. Wherever the policies of neoliberalism are being implemented the number of millionaires has increased without any noticeable positive change in the lives of the remaining millions. This has given the ‘millionaires’ a global presence. It is not happening “accidentally, but by design. By intention” (Roy, 2004:9). The other characteristic of this rich class is that they are able to multiply their wealth with in a short span of time. Income disparities are increasing world wide at an alarming rate. “More countries have a higher Gini coefficient now than in the 1980s” (UNDP, 2010:72). The OWS slogan ‘we are 99 %’ also addresses the question of growing income inequalities.

The other point regarding neo-liberalism which deserves serious concern is emerging linkages between the capitalist class and the politicians. For wrong reasons, this linkage is gaining strength each day. All along with the capitalist class, this class of politicians is not only able to accumulate huge wealth but also manages to increase it at multiple times each year. This is becoming a normal scene in India also. There are instances where politicians are reported for accumulating crores of rupees with a

month’s time. State’s machinery is being used to benefit the private companies as well as the politicians. A glance at latest scams of Common Wealth Games, 2G Spectrum, Aircel-Maxis deal, Satyam Group, Adarsh Society, Uttar Pradesh Food-Grain, Illegal mining, Land Acquisition give us a view about what is going on and who are being benefited. Corruption was present there in past also but now it is crossing its all limits. People working against all these are either murdered (take the recent cases of Sonawane and Narender) or narrowly escaped. Such cases almost go unnoticed in state assemblies and parliament.

ii) *Individual Liberty and State*

At the theoretical level, neoliberalism emphasizes individual freedom, one of the cornerstones of classical liberalism. It is argued that individual freedom can be achieved and protected when we have private property rights, free markets and free trade. It is pleaded, theoretically, that an individual should pursue his interests in his own way so long as he does not attempt to deprive other or impede the efforts of others. The same idea is brought forward in economic way of life through the policy of *laissez faire* which means let the individual alone do what he likes as he is the best guardian of his own interests and state/government need not intervene. As per John Locke (one of the main proponents of individual freedom) there are natural rights which equally belong to every man, i.e. rights related to life, liberty and property. These rights are part of law of nature where ‘law of reason’ prevails. It is the ‘reason’ which guides every man to accept others on a footing of equality. The aim of the government is just to protect the natural rights.

Liberalism treats the relationship between government and freedom in a specific way. As government creates restraints in individual liberty it is regarded as an evil. It treats government as the one which transfers resources from better off to worse off (i.e. policy of redistribution). In this way it curtails the freedom of a section of society. Hayek regarded this state intervention in the economy as the “road to serfdom”. The state is regarded necessary merely because crime exists and its principal function is to protect individual from violence and fraud. It is argued that the state rather than interfering in the market should be involved in preserving private property rights and promotions of market forces. The way neoliberal policies are working, economic problems (gap between rich and poor, unemployment, insecurity about jobs etc.) are soaring. The reason being that neoliberalism as an economic and political ideology is more attentive towards “libertarianism” than “liberalism”. The former is associated with the ideas of Hayek and Milton Freedman which shares general agreement with main idea of liberalism of “individual liberty” but strictly opposed to other liberal values such as equality, solidarity, and social responsibility” (Steger and Roy, 2010:17).

Viewed from the theoretical level what could be more pleasing that an individual is free and has liberty to do according to his capabilities? But where are the chances of showing capabilities. Barring a few exceptions, in real terms, millions of people are without any base (of education, money) to do anything on their own. Millions of people across the world not only remained but are still at margins in the overall development process. This

promotion of private property rights by the state and efforts to shun the policy of redistribution by the state will only enhance their marginalization. The state, in terms of liberalism, has to safeguard the assets of rich and also of poor. But what are the assets of poor? Can we say two individuals born in two different income families (e.g. one in Ambani family and other in a labour/daily wage employee’s family) have the same opportunities to excel? In this period where the greed for money is scaling new heights, the question under neoliberalism that each individual is the best judge of his future and need not require redistribution from the state/government is far from ground realities. It is difficult to find any place for the operationalisation of ‘law of reason’ as propounded by John Locke.

iii) *Democracy, Question of Voice and Neoliberalism*

All along free market system, the US leaders “projected upon the world the idea that American neoliberal values of freedom are universal and supreme, and that such values are to die for” (Harvey, 2005:66). This thought gained more prominence after the US victory in the Cold war and further after 11 September, 2001 when the *jihadist* attacked the WTO Towers. U.S. and U.K. leadership took that opportunity as of extending neoliberal policies. The message erupting from these countries was that the ‘World is in danger’ and in this ‘Global War on Terror’ we have to be on the side of USA with its style of democracy and free market. Consequently since late 1980s a wave of freedom erupted and swept many parts of the world. It was felt that now more and more people would have their say in framing the policies for their own

governance and development. However, this spread of democracy had come about at the time when neoliberal market principles were overpowering democratic principles. More importantly, the neoliberal theorists are “profoundly suspicious of democracy. Governance by majority rule is seen as a potential threat to individual rights and constitutional liberties. Democracy is viewed as a luxury....Neoliberalism therefore tends to favour governance by experts and elites. A strong preference exists for government by executive order and by judicial decision rather than democratic and parliamentary decision making” (Harvey, 2005:66). The justification of these ideas is not limited up to the theoretical level but in practice these are affecting the way different democracies are working today. The general observations are that democracy “is under attack worldwide, including the leading industrial countries, at least, democracy in a meaningful sense of the term, involving opportunities for people to manage their own collective and individual affairs” (Chomsky, 1999:92). Arundhati Roy (2004:9) also hold the same opinion as she wrote “Free elections, a free press, and an independent judiciary means little when the free market has reduced them to commodities available on sale on the higher bidder”.

The gap between what people want and what state democratic governments do is widening. More and more governments are becoming less and less responsive towards people’s voices. The recent demonstrations by people as a part of Ramdev movement or Anna Hazare movement clearly show people’s resentment against the increasing corruption and anti-people policies of the government. The stand of the government

on these issues was not in favour of what people wanted. It had hardly taken any serious step (remains less responsive) on the issues related to corruption, passing of LokPal Bill, problem of Black Money, increasing inflation etc. At the other front, it has taken immediate action by constituting inquiries for checking the assets of Ramdev and Anna Hazare’s associates as a sort of punishment for raising the voice against the malpractices. Such action on the part of government damages the morale of individuals and groups for raising such voices. The approval of the bill H.R.347 or the Federal Restricted Buildings and Grounds Improvement Act of 2011’ on 8 March 2012 in USA is also an attempt to restrict mass resistance movements. Under the Act it will be a criminal offense to ‘enter or remain in’ an area designated as ‘restricted’. Several commentators have dubbed it as ‘anti-Occupy’ law.

Nick Couldry through his book *Why Voice Matters* (2010) has brought in a very important question of “voice” in the whole framework of neoliberalism. Voice is the ability of an individual/group to narrate the things. What is more important is the “effective voice”, i.e. the effective opportunity to have one’s voice heard and taken into account. In real sense, the legitimacy of a modern democracy depends on the nature of effective voice it offers, i.e. whether the people’s voices are heard and taken note of or not. Couldry has written “we are experiencing a contemporary *crisis* of voice, across political, economic and cultural domains, that has been growing for at least three decades” (p.1). To him, this crisis of voice is associated with the long ascendancy of neoliberal discourse which emphasizes on the primacy of market

functioning. This discourse of neoliberalism “operates with a view of economic life that does not value voice and imposes that view of economic life on to politics” and “evacuates entirely the place of the social in politics and politics’ regulation of economics” (p.2). In fact this discourse views the social and political organization through the principles of market. In a way world is becoming “market” and this is happening in the case of economic, political and social organizations. It has been argued that the questions related to social welfare, individual freedom and working of the government are to be seen through market principles. Consequently barring few occasions here and there society is becoming individualistic. This is despite the fact that throughout our lives we are more influenced by those issues which are of common in interest. Majority of us face various kinds of problems but this emerging culture of ‘why to involve myself’ is obstructing the building of the culture of ‘effective voice’. We are witnessing how education is being capitalized in the name of self-financing courses in universities and colleges. Different courses are allowed to open but on the condition of not demanding any assistance from the government. Even universities are forced to go for distance education programmes for earning purposes. With less and less grants from the state governments, universities are finding it difficult to enforce guidelines to its various distance course centers which are becoming the real earning centers. With the objective of generating more and more financial resources on their own, more and more students are enrolled in colleges and universities without acquiring much needed infrastructural facilities. Regular increase in

fee structure is accompanied with relaxed norms for getting degrees. What kind of stuff we are going to produce? This, however, suits the supporters of neoliberal ideology. This problem is going to be graver the way social science disciplines are being given less importance. How persons without proper knowledge of the present economic system and the changes coming up in it can question the policies and processes that make even ordinary things a distant dream for ordinary people?

Conclusion

Neo-liberalism is not working well. People have shown their discontent with neoliberal policies across the national boundaries. Income disparities are continuously increasing between and within states. The gap between the rich and the poor is widening. Jobs are decreasing and with austerity measures on the scene, there will be further cuts in the employment opportunities and other welfare benefits. The emerging scenario is that on the one hand mass resistance movements are going on against the neoliberal policies on the other hand governments are adopting different strategies to resist these. They range from repression to paying no heed to people voices. Democracies are offering a much reduced political space today in terms of options available to voters. It seems that the future does not necessarily rest with capitalism. Presently it is not clear whether it will be socialism, mixed one or some other form of economic organization. However, radical changes will not come from the side of the governments, which are presently more answerable to the market forces, but from the side of the people.

Notes

1. The coup was against the democratically elected socialist government of Salvador Allende. The whole economic structure of Chile was restructured (privatization of state assets) as guided by neoliberal economic thinkers trained at Chicago School of Economics under monetarist Milton Friedman.
2. The term welfare state was used for the first time by Archbishop William Temple of Church of England.
3. Painter and Jeffrey (2009:46) have highlighted a very important gap in the geographical spread of welfare states in the world and their discussion in various studies. They wrote that “Traditionally, the term ‘welfare state’ referred only to countries with liberal-democratic political systems and capitalist market economies. Countries with authoritarian political systems and centrally planned economies were usually ignored in most discussions of the welfare states in Western social science”. Another good study for the analysis of nature and extend of the growth of state welfare provisions in world is Johnston (1993).
4. In the perspective of neo-liberalism, de-regulation in itself looks like a funny word. Oxford Advance Learner’s Dictionary (2006:411) defines the word “de-regulate” as “to free a trade, a business activity etc. from rules and controls”. Dicken (2003:165) also wrote that “no activity can exist without some form of regulation (otherwise anarchy ensues), deregulation cannot take place without the creation of new regulations to replace the old. In effect, what is often termed de-regulation is really re-regulation”. Under neo-liberalism, de-regulation means “loss or reduction of public control over the environment, transportation, and energy resources as well as dismantling of universal social programs including unemployment insurance, social assistance, health care, and pensions” (Knox and Marston, 2001:518). This has widened the existing gaps in income levels. More and more people are added in the existing list of poor people. On the other hand, the rate of corporate profits is also increasing. People are being mobilized against this corporate culture in different parts of the world. It is feared that “privatization, deregulation and trade liberalization will reduce nation-state governments to branch plants of transnational corporations” (Knox and Marston, 2001:518).
5. This means transferring of state owned/ controlled subjects to private sectors.
6. This was totally an unthinkable proposition that different state economies with different histories of cultural traditions, economic growth, and economic problems were given single vaccine.
7. This shift in investment to new centres at the cost of older centre is usually known as “creative destruction” and it is an inherent characteristic of capitalism through which capital investment could be made at new sites of profit. The areas of creative destruction are those which attract no or less investment in order to re-invest at new places. There could be many reasons for the same like agglomeration diseconomies, saturation in the local market and competition from other areas with local factor costs.
8. Zapatistas rebellion broke out in Chiapas in Mexico on 1 January 1994, the date NAFTA came into effect. It came as a reaction to President Carlos Salinas’s neoliberal project

under which 1917 Constitution which protected the legal rights of indigeneous people (land in particular) was reformed and opened the gates for privatization. The subsequent lowering of import barriers allowed subsidized cheap corn from USA which had hampered the traditional local agricultural base (for details see, Harvey, 2003:160-161, Gilmartin, 2009:57-58).

9. The recent protests, under the banner of 'Occupy', were held on 15 May, 2012 in many cities of Europe like London, Lisbon, Frankfurt, Athens, Barcelona, Madrid etc.

Reference

1. Berry, Brian J.L., Edgar C. Conkling and D. Michael Ray (1987): *Economic Geography*. Prentice Hall.
2. Chomsky, Noam (1999): *Profit over People*. Delhi: Madhyam Books.
3. Coe, Neil M. (2011): Unpacking Globalization: Changing Geographies of the Global Economy, in Andrew Leyshon, Roger Lee, McDowell and Peter Sunley (eds.), *The SAGE Handbook of Economic Geography*, New Delhi: Sage Publications, pp.89-101.
4. Couldry, Nick (2010): *Why Voice Matters: Culture and Politics after Neoliberalism*. London: Sage.
5. Dicken, Peter (2003): *Global Shift*. New Delhi: Sage Publications.
6. Donaldson, Peter and Harold Pollins (1978): *Capitalism*. London: Hamish Hamilton.
7. Gilmartin, Mary (2009): Democracy, in Carolyn Gallaher, Carl T. Dahlman, Mary Gilmartin and Alison Mountz (eds.), *Key Concepts in Political Geography*. London: Sage, pp.51-59.
8. Gwynne, Robert, Thomas Klak and Denis J.B. Shaw (2003): *Alternative Capitalism*. London: Arnold.
9. Harvey, David and Allen Scott (1989): The Practice of Human Geography: Theory and Empirical Specificity in the Transition from Fordism to Flexible accumulation, in Macmillan, Bill (ed.), *Remodelling Geography*. Oxford: Basil Blackwell, pp.217-229.
10. Harvey, David (1989), *The Condition of Postmodernity*. Oxford: Blackwell.
11. Harvey, David (2003): *The New Imperialism*. Oxford: Oxford University Press.
12. Harvey, David (2005): *A Brief History of Neoliberalism*. Oxford: Oxford University Press.
13. Harvey, David (June 19, 2006): On Neoliberalism, an interview by Sasha Lilley, available at magazine.monthlyreview.org/2006/lilley.
14. Johnston, R.J. (1993): The Rise and Decline of the Corporate Welfare State: A Comparative Analysis in Global Context, in Peter J. Taylor (ed.), *Political Geography of the Twentieth Century*. London: Belhaven Press, pp.115-170.
15. Knox, Paul and Sallie A. Marston (2001): *Places and Regions in Global Context*. New Jersey: Prentice Hall.
16. Knox, Paul L. and Sallie A. Marston (2001): *Places and Regions in Global Context*. New Jersey: Prentice Hall.
17. Knox, Paul, John Agnew and Lina McCarthy (2003): *The Geography of the World Economy*. London: Arnold.
18. Painter, Joe (1995): *Politics, Geography & Political Geography*. London: Arnold.

19. Painter, Joe and Alex Jeffrey (2009): *Political Geography*. London: Sage.
20. Peet, Richard (2003): *Unholy Trinity: The IMF, World Bank and WTO*. London: Zed Books.
21. Peet, Richard (2007): *Geography of Power: Making Global Economic Policy*. London: Zed Books.
22. Rapley, John (2005): *Globalisation and Inequality*. New Delhi: Viva.
23. Roy, Arundhati (2004), Public Power In The Age of Empire, *Frontline*, vol.21, no.21, pp.4-16.
24. Schnitzler, Antina von (2008): Neoliberalism, in *International Encyclopedia of the Social Sciences*. Macmillan, pp.473-475.
25. Springer, Simon (2010): Neoliberalism and Geography: Expansions, Variegations, Formations, *Geography Compass*, no.4, pp.1025-1038.
26. Steger, Manfred B. and Ravi K. Roy (2010): *Neoliberalism: A Very Short Introduction*. Oxford: Oxford University Press
27. UNDP (2010): *Human Development Report 2010: The Real Wealth of Nations*. New York: Palgrave Macmillan.
28. Wade. Robert H. (2008): Washington Consensus in *International Encyclopedia of the Social Sciences*. MacMillan, pp.38-40.