

*Comment*

## **Neoliberalism: A Scourge to Humankind**

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### **Background and definition**

The term ‘neoliberalism’ was coined by the German scholar Alexander Rustow at the Colloque Walter Lippmann in 1938. Ludwig von Mises popularized it as ‘new liberalism’ in his writings. The exponents of neoliberalism defined it as ‘the priority of the price mechanism, the free enterprise, the system of competition and a strong and impartial state’. They belonged to what were called the Freiburg School, the Austrian School and the Chicago School of Economics.

The concept of neoliberalism draws from Adam Smith the notion that the invisible hand of self-interest in the free market results in the common good but obscures his idea that labor power is the creator of new material values and social wealth. It harps on the notion that the economic freedom of the entrepreneurs spells political freedom of the entire society. It idealizes and perpetuates the idea of free competition capitalism.

It holds as sacred and inviolable the right to private property in the means of production and it vehemently stands against state ownership of any means of production and against state intervention in the economy unless it favors the private capitalists with profit-making opportunities, including the expansion of money supply and credit, tax cuts, contracts, subsidies, investment guarantees and other incentives.

The concept arose at the time of the Great Depression, when the crisis of overproduction in monopoly capitalism had given rise to fascism and the imminence of World War II. But the neoliberal intellectuals ignored the reality of monopoly capitalism and the class struggle between the big bourgeoisie and the working class. They took the supraclass petty bourgeois viewpoint of standing above and against both fascism and socialism and preached about freedom based on the long past condition of free competition capitalism in the 19th century.

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Friedrich Hayek, well known for the notion that socialism is ‘the road to serfdom’, founded the Mont Pelerin Society in 1947 in order to reconvene the neoliberal intellectuals and politicians. The neoliberals were a hyperactive yet marginal instrument of anti-communism in the Cold War. Hayek and Milton Friedman became the iconic figures of neoliberalism in the Chicago School of Economics.

Friedman became best known for pushing neoliberalism to become the official economic policy of US imperialism. He promoted the notion that economic freedom is a necessary condition for political freedom and that the state should not own productive assets and should not plan or regulate the economy but should give way to an unbridled ‘free enterprise’ and a self-regulating ‘free market’ and allow the big bourgeoisie to accumulate capital and avail of the profit-making opportunities.

Describing himself as monetarist, Friedman spread the notion that growing the economy and solving economic problems of stagnation and inflation was just a matter of manipulating the money supply and interest rates. He spearheaded the academic and media campaign to attack Keynesian economics and to blame the working class for wage inflation and supposedly big social spending by government. He and his fellow neoliberals proclaimed these as the cause of the stagflation in the 1970s.

### **Neoliberal economic policy**

At the onset of the 1980s, the neoliberal economic policy was adopted by Ronald Reagan in the US and Margaret Thatcher in the UK and became known respectively as Reagonomics or supply-side economics and Thatcherism. It scapegoated the working class and government social spending for the phenomenon of stagflation and obscured the crisis of overproduction as a result of the reconstruction of Western Europe and Japan and the rapid rise of US military expenditures due to stepped up military production, overseas deployment of US military forces and the wars of aggression in Korea and Indochina.

Reagan and Thatcher undertook signal actions and pushed legislation to press down the wage level, suppress the trade union and democratic rights of the working class and cut back on social spending by government. They reduced taxes on the corporations and individual members of the monopoly bourgeoisie and provided them with all the opportunities to make super profits and accumulate capital.

These opportunities were made available through the flexibilization of labor, trade and finance liberalization, privatization of public assets, anti-social deregulation, the denationalization of the

economies of the underdeveloped countries, the increase of overpriced contracts in war production and guarantees and subsidies for overseas investments.

Eventually the other imperialist powers followed the example of the US and UK. Even the social democratic, bourgeois laborite and neorevisionist parties adopted the neoliberal economic policy. This was given the fancy name of 'free market' globalization. But this is imperialist globalization, allowing the imperialist powers to unleash the monopoly firms and banks against their own working class and against all working people, especially in the underdeveloped countries. The puppet states treasonously surrendered economic sovereignty and natural resources to the imperialist powers under the signboard of globalization.

The neoliberal economic policy was instigated by US imperialism and came to be known in 1989 as the Washington Consensus (coined by economist John Williamson) because it had long been designed and enforced by the IMF, World Bank and the US Treasury Department, to be joined subsequently by the WTO in the 1990s. It imposed on the underdeveloped countries the following prescriptions supposedly for development: fiscal policy discipline, redirection of public spending away from industrial development and self-reliance, tax reform for the benefit of foreign investors and at the expense of the people, market-determined interest rates, competitive exchange rates, import liberalization, investment liberalization, privatization of state enterprises, deregulation and legal security for property rights.

Neoliberalism, otherwise known as market fundamentalism, has accelerated the accumulation of capital and the taking of super profits by the monopoly bourgeoisie. As a result, the crisis of overproduction and over accumulation by a few has recurred at a rapid and worse rate. The monopoly bourgeoisie has resorted to tricks of finance capitalism and has spawned a financial oligarchy in a futile attempt to override the recurrent crisis of overproduction and the tendency of the profit rate to fall. It has repeatedly expanded the money supply and credit, generated derivatives in astronomical amounts and made one financial bubble after another in order to raise the profits and overvalue the assets of the monopoly bourgeoisie.

Nevertheless, more than one hundred economic and financial crises of varying scales and severity have occurred in the world capitalist system in the last three decades of neoliberal economic policy. The severest crisis has burst out since 2007. It is comparable to the Great Depression of the 1930s with far more destructive political and social concomitants and consequences for the entire world. It is accompanied

by the rise of state terrorism or fascism and further imperialist wars of aggression. The broad masses of the people are suffering from the terrible conditions of global depression and the intensification of exploitation, impoverishment, oppression and all kinds of degradation.

### **People's resistance**

The imperialist powers and their puppet states have been unable to solve the ongoing super crisis because they cling dogmatically to the neoliberal economic policy. They believe that this is so far the best policy adopted by the world capitalist system to let the monopoly bourgeoisie and financial oligarchy rake in super profits and accumulate capital. They wish to perpetuate this scourge to humankind. It is therefore the compelling duty of the people to fight against this policy and against the system that has imposed it on the people.

The grave crisis of the system is inciting the broad masses of the people to wage various forms of resistance in order to uphold, defend and promote their basic democratic rights and to fight for their national and social liberation. Through their own struggle, they can build a fundamentally new and better world of greater freedom, democracy, social justice, development, international solidarity and peace. They aim for a socialist future.

Source: <http://www.josemariasison.org/?p=11196>