

Death to neoliberalism | The Express Tribune

Abbas Moosvi November 02, 2022

The hegemonic ideology of neoliberalism must be directed to its rightful place: the dustbin of history

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International financial institutions and multilateral donor agencies have played an increasingly central role in the ‘development’ of the Global South, dictating neoliberal policy measures to domestic elites in exchange for personal rewards. This has functioned to destroy the fundamental structure of what were already vulnerable economies — leading to dependencies that mirror colonial-era exploitation, in which the biggest losers are always the working masses.

Renowned economist, philosopher and Nobel laureate Friedrich Hayek’s most important contribution to the pool of knowledge available to humanity was arguably his seminal paper, ‘The Use of Knowledge in Society’. In it, he argues rather ironically against notions of expertise, policymaking, and at the broadest level, governance as a whole. The nature of knowledge, as per Hayek, is such that it is diffuse, extremely context-specific and largely unarticulated.

By ‘diffuse’, he refers to the manner in which knowledge is spread out across society, whereby information is so abstract and scattered that it is virtually impossible to try piecing it all together. Next, he claims that what people ‘know’ is specific to their particular exposures, circumstances, experiences and immediate environments — all of which have collectively shaped their perceptions. The important point here is that everybody faces a fundamentally unique set of problems. Finally, Hayek points out that a minute fraction of the sum total of knowledge present in a given individual’s mind is ever communicated — meaning that the vast majority of it is, for all intents and purposes, lost.

The salient takeaway from this messaging, later developed by what is now known as the ‘Chicago School’, was that top-down interventions into the workings of the economy are destined to fail. Therefore, the ‘government’ ought to pull back its activity: cut social protection programmes, halt the provision of education/healthcare services, and sell off its enterprises to the private sector. In its stead, the ‘free’ market emerged as the salient ‘policy prescription’, rapidly rising to prominence and serving as the central ‘governance mechanism’ for reactionary leaders around the globe. Notions of expertise and technical competence were not actually disposed in practice but cleverly equated with the extent to which one subscribed to the neoliberal troika of ‘privatise, deregulate and liberalise’.

This overarching approach to administration was soon formalised, shaping the spirit of the Washington Consensus in 1989. International financial institutions and multilateral donor agencies then began imposing it on the developing world via debt agreements in the form of conditionalities that promoted austerity, leading to rampant inequalities and weaker civil societies.

There are certain assumptions that neoliberalism is founded upon. The first is that 'government' is an abstract, power-seeking entity that is disconnected from the citizenry. While obviously false in the case of democracies (where ruling elites have to respond to the needs/desires of their constituencies, who they rely on for subsequent terms in office) the more alarming fact here is that even with regards to countries that may be authoritarian/dictatorial in nature, the proposal is to mindlessly eliminate government intervention in favour of 'freer markets' — thus benefitting elites with prior access to financial resources. A kind of 'shock therapy' is proposed, whereby freedom today is foregone for an imagined freedom in the future when 'growth' has been achieved.

Another Nobel laureate by the name of Amartya Sen has challenged this, claiming that freedom is not merely the 'end' of development but also its primary means. He proposed five basic types of freedoms in this regard: political liberties, economic facilities, social opportunities, transparency guarantees, and protective security. For example, frictionless access to quality education (social opportunity) naturally means higher skillsets and a greater ability to participate in markets, in turn leading to economic growth that expands the resource pie and allows for redistribution — allowing others, who may be lower down the social ladder, to also participate in commercial activity via protective security. Political liberties, on the other hand, act as feedback mechanisms — allowing people to voice their concerns and grievances, particularly when certain policies do not seem to be working — leading to a build-up of pressure on government agencies who are forced to respond.

Even in terms of knowledge, Hayek's paper was first published in 1945: several decades prior to the mainstreaming of the internet, which revolutionised the production and dissemination of information — allowing greater numbers of people to access an increasingly large pool of knowledge. The biggest example of the fact that knowledge is now no longer 'diffuse, unarticulated and context-specific' is social media and streaming services — which not only allow for the broadcasting of messages, but also the prioritising of certain bits of information over others depending on how much traction they are getting.

Various tools, such as likes, retweets, hashtags and 'trends' in the case of Twitter make for a user experience that allows for real-time access to the most relevant information at any given point in time. Similarly, mechanisms such as citizen portals, participatory budgeting and online referendums are increasingly common, allowing governing bodies to receive feedback from various parts of their respective mandates and respond accordingly.

Finally, the top-5 ranked countries in the world on the 'Human Development Index' for 2020 were Norway, Ireland, Switzerland, Hong Kong and Iceland. Government expenditure as a percentage of GDP (an indicator of the government's role/influence) in each of these, respectively, was 58.2%, 27.2%, 37.8%, 12.7%, and 50.6% — averaging 37.3%, more than a third of economic activity. This is not just true today. Developed countries, such as the US, the UK, most of Europe, and even the 'East Asian Tigers' all had a heavy government presence in their respective economic take-off phases.

Instruments such as industrial subsidies, import duties, quality assurance regulations, public investment programmes (particularly in manufacturing), foreign technology acquisition, the

financing of study tours/apprenticeships, etc were all handled by the state: policies that are now seen with disdain, even contempt, by economic ‘experts’ — particularly those working for international financial institutions.

Countries in the so-called ‘third world’ cannot afford to continue being beholden to domestic elites that closely work with global bureaucrats to transform key institutions into facilitators for big capital. Ideas of freedom, independence, and sovereignty during decolonisation movements in the mid-20th century unfortunately remain distant dreams. If they are to be realised, the hegemonic ideology of neoliberalism must be directed to its rightful place: the dustbin of history.

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