

Ideologies of Political Economics – Today's Enigma

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The history of the world, most notably over the last 150 years, has seen 3 major political-economic ideologies; all of which have had a profound impact on the current state of affairs by representing different fundamental market concepts within “the organization of society and economic affairs” [Gilpin, 1987]. The first, economic nationalism, which promotes political state intervention, through the use of subsidies and other such policies, to guide the local market economies in the best interest of the domestic economy; namely and over-simplified as protectionism. The second, economic progressivism emphasizes social justice and the equitable distribution of economic power. This second perspective includes a wide gamut of theories, ranging from the work of Marx, Lenin, and other radical groups/movements. Fundamentally, there is a concerted emphasis that economic order is systematically biased against the poor, weak, working people and environment. The final political economic perspective that has had a profound impact on the market and political systems is economic neo-liberalism; and is most consistent with my personal beliefs. This philosophy also has a wide breadth of internal axioms, all of which fundamentally promote a free-market system with limited government intervention/controls.

Neo-liberalism is committed to the concepts of private property, freedom of choice and is nested upon opportunity-cost. It argues that by allowing external countries access to local markets, economic efficiency and overall economic success can [and will] be achieved. It is maintained by “almost all economists and other proponents of free markets ... that globalization promises a world of increasing prosperity and international cooperation; they argue that no obstacles should be allowed to prevent the free flow of goods, services and capital” [Gilpin, 2000]. Critics of this philosophy predict a much different future, “they fear that increased trade, foreign investment, and financial flows are producing powerful negative consequences for their societies” [Gilpin, 2000]. Where the basic fears are a homogeneous global population controlled by a select few. Part of the problem, they allege “lies with the international economic institutions, with the IMF,

World Bank and WTO, which help set the rules of the game [and] have served the interests of the more advanced industrialized countries ... rather than those of the developing world” [Stiglitz, 2002]. With the IMF and World Bank representing such a large portion of global funding (grants and loans not FDI), one can see how this fear of “western imperialism” can be concluded. “In reality this situation, and the ideology accompanying it, is only the reflection of the wealthier, more powerful, privileged situation of Western imperialism with its vast colonial possessions and world domination ... the ‘democratic freedoms’ of Western imperialism have been built on the foundation of colonial slavery” [Dutt, 1974]. This is emphasized by the detailed reforms, restrictions and policies that are mandated by the IMF in order to obtain funding and therefore the means to economic success and world power. And exacerbated by limited corruption within these developing nations, that have caused a select few to benefit at the expense of the mass population. This second point will be covered later, but for now it should be noted this is not the intended status quo within the goals of globalization.

Fundamentally it is important to maintain national sovereignty and most notably the nation’s ability to self-govern both political and economic policies. This maintenance of national identity will preserve national cultures and sub-systems and promote a global acceptance; which is contrary to the current IMF implementation policies of cookie-cutter reforms which are not tailored to the local society, and thus not playing their strengths. “Countries are effectively told that if they don’t follow certain conditions, the capital markets or the IMF will refuse to lend them money ... they are forced to give up their sovereignty, to let capricious capital markets, including the speculators whose only concerns are short-term” [Stiglitz, 2002]. It’s been shown, that “those that have avoided the strictures of the IMF have grown faster, with greater equality and poverty reduction, than those who have obeyed its commandments” [Stiglitz, 2002]. It’s important that these reforms be presented as options from the IMF and not single-option mandates, with the ultimate decision being left to the local government without forcing them to decide between the IMF and their own policies.

The history of the globalization movement has moments of failures, (such as the Mexican Peso Crisis, the East Asian Crisis, Brazil, Argentina, Russia), along with countless successes. “This effort has brought forth huge benefits in the forms of higher standards of living, increased healthcare, increases in access to technology, global civil awareness and greater social justice” [Stiglitz, 2002]. These successes and the accompanying global coordination were not seen during the time of nationalism (mercantilism), at least not the magnitude and sustainability currently observed and projected. It is quickly being realized, in some cases these measures can be classified as “too quickly” that the future is contained within a global economy. And that globalization, the pursuit of free markets, is not an effort that should be abandoned, as it is not the root cause of the above-mentioned national economic collapses; which I believe will be corrected over the coming decade[s]. Instead I believe these problems have occurred as a result of the mismanagement of the timing and coordination of market openings and local corruption combined with inequitable distribution of wealth within developing nations.

The later of these two common problems must be addressed within the framework of the new reforms to ensure that there is both local indigenous support and benefit. This problem is commonplace amongst developing nations and therefore should be at the forefront both during the planning and implementation stages. “Throughout South and Southeast Asia, Africa, the Caribbean and the West Indies, most of Latin America, and parts of Eastern Europe and the former Soviet Union, free markets have led to the rapid accumulation of massive, often shocking wealth by members of an ‘outsider’ or ‘non-indigenous’ ethnic minority” [Chua, 2003]. Whether it is globalization, democracy or other types of reform, the policy must be driven and promoted from within the indigenous populations, with majority backing. If all parties support the change in policy, although within the context of free markets there are unequal benefits to be obtained by the individual parties, the transformation will be successful. The paradigm of neo-liberalism referring “to the policies and processes whereby a relative handful of private interests are permitted to control as much as possible of social life in order to maximize their personal profit” [Chomsky, 1999] must be broken both in the perceived notion of its existence and its factual context. As seen during the boom period from

1948-1973, the rift between the upper socio-economic echelons must be bridged to include all levels of economic status within the society. Globalization must not only be accepted and believed in by the majority, but also must also benefit, as it should without such externalities as corruption, the same masses. And the enforcement, for sake of avoiding the perception of “imperialistic controls” being implemented from the west, must come from within the local government with the consulting guidance from the West for national related concerns. “In the eyes of the vast majority of the developing world, America ... is able to ‘control the world’, whether through our military power or through the IMF-implemented austerity measures we have heartlessly forced on developing populations ... obviously their condition is not all America’s fault ... but America is an obvious scapegoat” [Chua, 2003]. It’s important to emphasize that this western involvement must not be direct and/or public unless such violations reflect an international concern. In such a case the legal and governing framework created must be representative of the world, and not a single (or subset of) country as exists today with the G-N bodies, IMF and World Bank. Tangent to the topic at hand, this “western meddling” is probably the root cause of today’s terrorism, and therefore the attention given should not only be with respect to economic and political success, but also to future peace and global stability.

The second major success criterion that must be satisfied for the pursuit of global free-markets to be achieved is the proper management, timing and coordination of the movement (on local, regional and global scales). While the former talks of local population support and benefit, the second ideal lies within both the local implementations of the policies and global enforcement required. It cannot be stressed enough that timing and coordination are paramount to the freeing of local markets to the demands of the international economy. Most importantly, inherent within free markets, there is a shift of labor and production driven by comparative advantage and maximizing economical efficiency. Therefore, before the local markets can be opened, causing a shift in the usage of labor resources, there must be the infrastructure to support this re-distribution of resources. “[F]or millions of people globalization has not worked. Many have been made worse off, as they have seen their jobs destroyed and their lives become

more insecure [and] their cultures eroded” [Stiglitz, 2002]. Without such banking, entrepreneurial and industrial initiatives the opening of markets will cause mass unemployment instead of the retooling of the local industries. Furthermore, before a local market can be opened and expected to compete effectively against global corporations those local industries must be allowed to mature within the newly created infrastructure: governmental regulation (Judicial, Executive, Representative), Financial (banks for loans to spur entrepreneurial efforts), Distribution Mechanism (both for wealth and commodities), and Social Safety-Nets (welfare, unemployment, etc).

The regulation of financial controls is also a necessary policy that deserves much needed attention. As demonstrated in the Asian Financial Crisis, the opening of markets, in today’s data-centric world, requires an increase in the controls of financial mobility to curb short-term hedging of local currencies without impeding upon banks and other economic institutions from making investments in a nation’s industrial economy. “The IMF first told countries in Asia to open up their markets to hot short-term capital. The countries did it and money flooded in, but just as suddenly flowed out” [Stiglitz, 2002]. It was the problem of short-term investing and speculation that caused psychological stressors that resulted in the removal of Asian investments. At the root of this, as mentioned above, is the short-term speculation that benefits only the money manager, and not the local economies or industries (or currency by promoting its volatility). As a control measure to promote long-term investments (represented by greater than 1 year), countries or a centralized banking system (which will not be explored within the context of this paper) should impose early withdrawal taxes/penalties on such funds being called before the 1-year anniversary. The greatest advantage such a policy would promote would be long-term stability, therefore allowing local governments the ease to focus on growth related issues and not the short-term value of their currency and the subsequent impact on exports/imports that will have due to volatile currency speculation.

Of the 3 geopolitical-economical ideological perspectives, neo-liberalism within the context of “globalization” and the promotion of free markets best encapsulates my present beliefs. Even though I run parallel to this philosophical theory, I do feel that

there exists much room for improvement; not within the scope of the goals but rather the implementation of the policies and need for either the reform of some present-day international organizations (the IMF specifically) or the creation of new bodies empowered with both the creation and enforcement of such policies. In today's global marketplace, it's equally important for there to be greater equal distribution of wealth (the dissolution of international and local corruption so that all parties feel the benefits of greater economies of scale), unbiased enforcement of regulations and rational economic behavior promoted by greater transparency and information propagation from 3rd-party NGOs. Amongst all the necessary reforms and perspective acceptance that is required, the timing and coordination in the implementation of these policies cannot be overstated. Patience is required for such large and bold goals, without which global instability and hardship is bound to follow. And when measuring the success of such policies and patience, as a rule, "[r]egardless of the profitability or market share of a nation's corporations, the economic success of a nation (or, more accurately, the region of the global economy denominated by the nation's political borders) must be judged ultimately by how well its citizens are able to live and whether these standards of living can be sustained and improved upon in the future" [Reich, 1991]. It should be accepted there within the context of free markets not all parties benefit the same, and therefore judging that all parties are experiencing an increase in their standard of living holds bearing on our current global perspective. Our goal should not be national economic dominance, but rather the increase of the global standard of living, dissected at the national level through the implementation of free markets and globalization.

Notes

1. Chomsky, Noam, *Profit Over People, Neoliberalism and Global Order*, Seven Stories Press, 1999, 7.
2. Chua, Amy, *World on Fire*, Doubleday, 2003, 19.
3. Dutt, R. Palme, *Fascism and Social Revolution*, Proletarian Publishers, 1974, 255.
4. Gilpin, Robert, *The Political Economy of International Relations*, Princeton University Press, 1987, 26.
5. Gilpin, Robert, *The Challenge of Global Capitalism*, Princeton University Press, 2000, 293.
6. Reich, Robert B., *The Work of Nations*, Alfred A. Knopf, Inc, 1991.
7. Stiglitz, Joseph E., *Globalization and Its Discontents*, Norton and Company, Inc, 2002, 214-248.