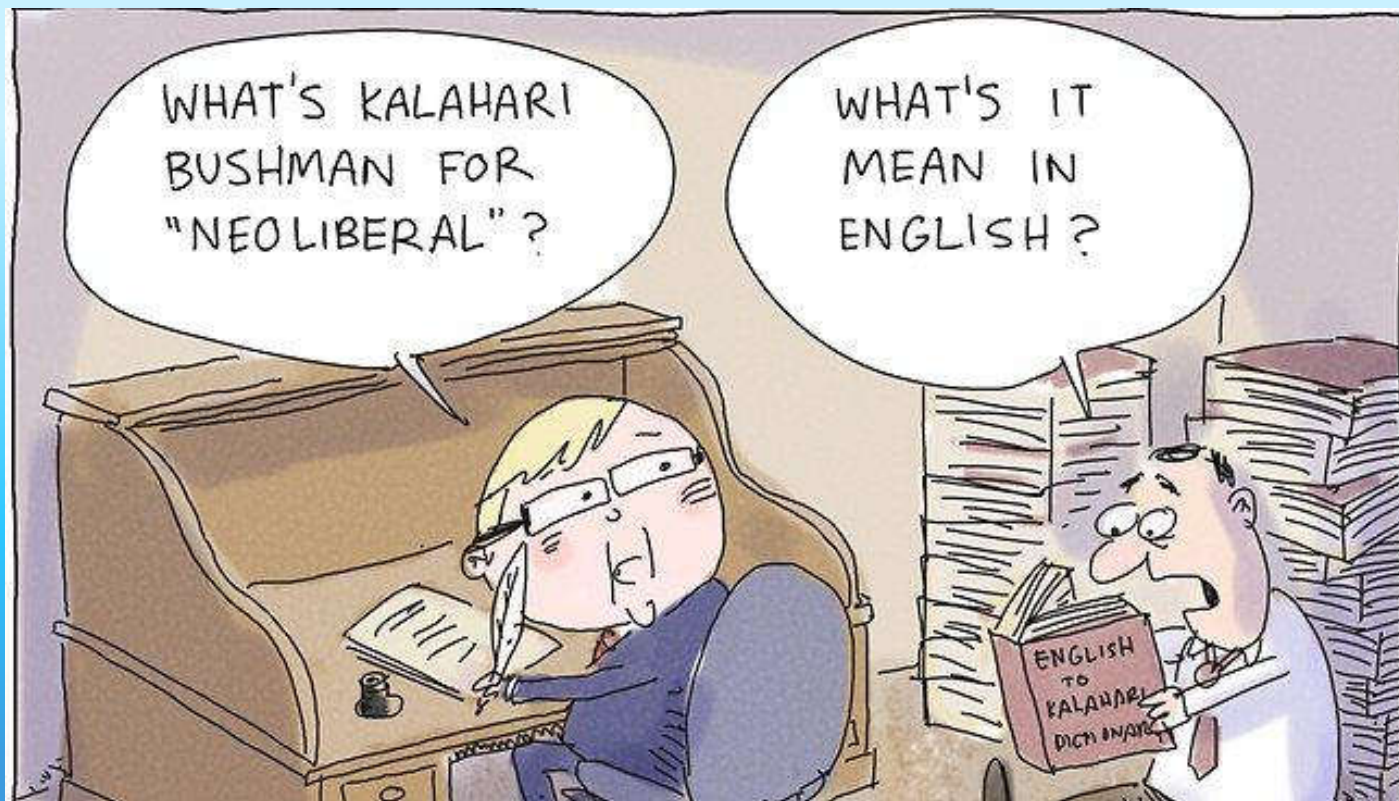


Neoliberalism and Globalization

Lecture 10



<https://cdn.newsapi.com.au/image/v1/1fde201d96e3d284c1634e88dd05505f?width=650>

Lecture Outline

- Review the Logic of Capitalism
- Neoliberalism
- Global Trade, Monetary Policy, Financialization
- Goods and Bads of Neoliberalism
- Effects on Countries' Development: Development Traps and Structural Adjustment

The Logic of Capitalism



Pyramid of Capitalist System, issued by Nedeljkovich, Brashich, and Kuharich in 1911. Published by The International Pub. Co., Cleveland OH.

IWW -
<http://digital.library.pitt.edu/u/ulsmanuscripts/pdf/31735066248802.pdf>

Neoliberalism



<https://examples.yourdictionary.com/what-is-neoliberalism-theory-in-simple-terms.html>

The Institutions of Global Neoliberalism

Bretton Woods Conference



<https://www.dw.com/en/bretton-woods-at-75-has-the-system-reached-its-limits/a-49687599>



Neoliberalism: Global Trade Policy



https://www.ey.com/en_us/global-trade/global-trade-disruption-taxing-business

Neoliberalism: Monetary Policy



<https://www.businessinsider.com/what-is-the-federal-reserve>

Neoliberalism: Financialization



<https://www.maximimages.com/image/MX119121/stock-illustration-of-us-dollars-money-flying-around-the-world-globe>

Benefits of Neoliberalism

- Productivity of National Economies
- Raised People Out of Poverty
- Technology Transfer to Other Nations
- Privatization of Uncompetitive State-Owned Enterprises and Efficient Provision of Services

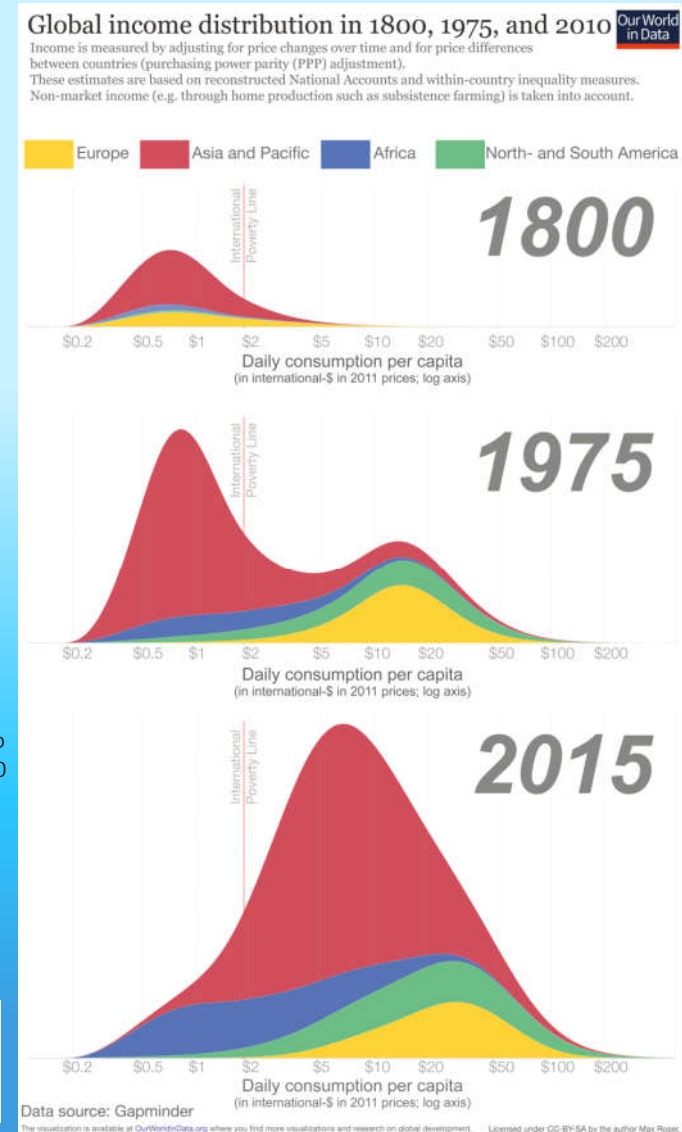
According to an IMF paper:

Neoliberalism: Oversold? FINANCE & DEVELOPMENT, June 2016, Vol. 53, No. 2

Jonathan D. Ostry, Prakash Loungani, and Davide Furcer

<https://www.forbes.com/sites/timworstall/2017/08/18/the-terrors-that-this-global-neoliberalism-hath-wrought/?sh=af3404d28642>

Global income distribution over time
MAX ROSER, CREATIVE COMMONS x



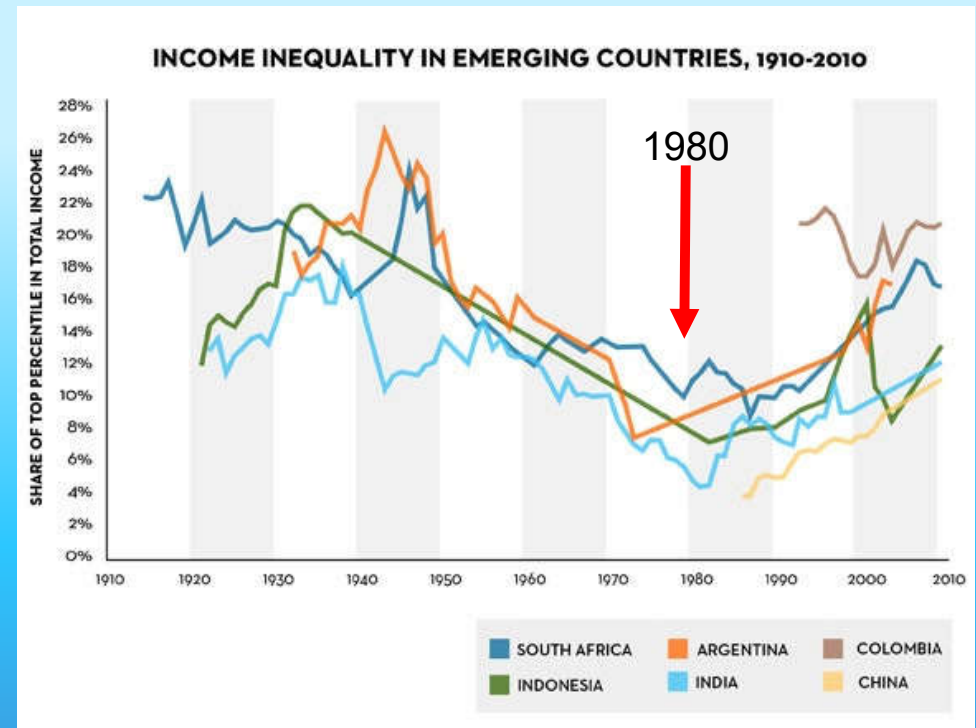
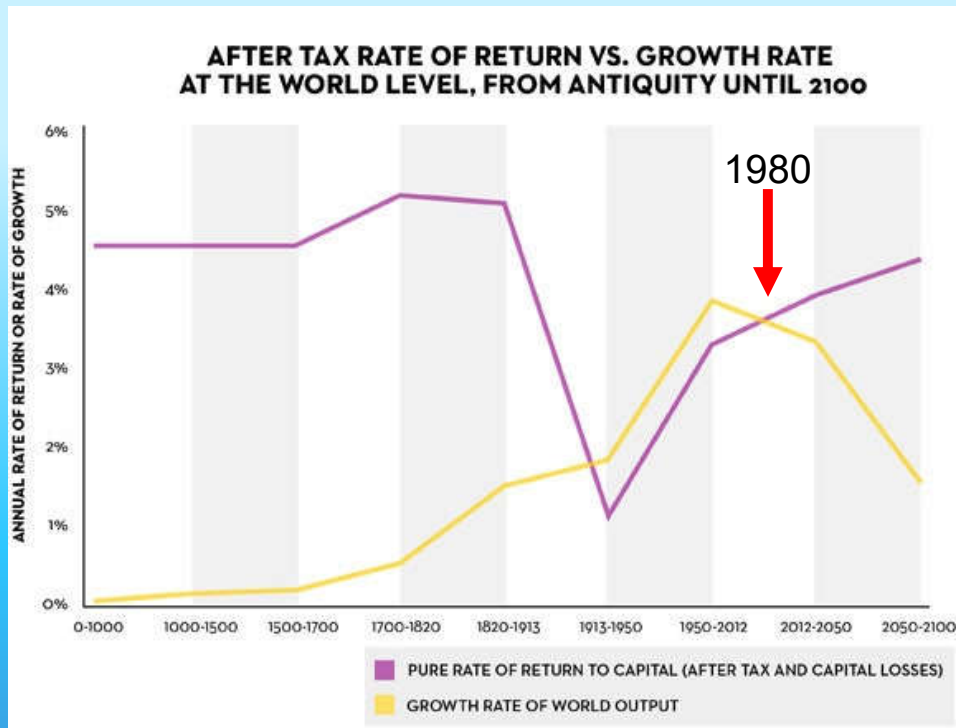
Neoliberalism's Bads: National Economic Growth

“However, there are aspects of the neoliberal agenda that have not delivered as expected. Our assessment of the agenda is confined to the effects of two policies: removing restrictions on the movement of capital across a country's borders (so-called capital account liberalization); and fiscal consolidation, sometimes called “austerity,” which is shorthand for policies to reduce fiscal deficits and debt levels. An assessment of these specific policies (rather than the broad neoliberal agenda) reaches three disquieting conclusions:

- The benefits in terms of increased growth seem fairly difficult to establish when looking at a broad group of countries.
- The costs in terms of increased inequality are prominent. Such costs epitomize the trade-off between the growth and equity effects of some aspects of the neoliberal agenda.
- Increased inequality in turn hurts the level and sustainability of growth. Even if growth is the sole or main purpose of the neoliberal agenda, advocates of that agenda still need to pay attention to the distributional effects.”

(Ostry et al., 2016)

Neoliberalism's Bads: Thomas Picketty on Inequality



Adapted from with changes: <https://www.newyorker.com/news/john-cassidy/piketys-inequality-story-in-six-charts>

Neoliberalism's Bads: Global Financial Crisis

The image shows the front page of the Financial Times newspaper from 2008. The main headline is "Market crash shakes world". Above this, there are several smaller headlines and sections: "Special report on the art market", "An expanded books section", and "Martha Stewart". The main headline is followed by a sub-headline "How the world's markets fell this week..." and a table showing market drops: Tokyo (24.3%), Frankfurt (21.6%), London (21.1%), and New York (18%). Below the table are four small photographs of people's faces, likely reacting to the market crash. To the right of the table is a section titled "The day in summary" with several short news items. At the bottom of the page, there are more headlines, including "Downgrade warning and talk of stake sale batter Morgan Stanley" and "Zenith".

COLLECTING SEPARATE SECTION
Special report on the art market
FT experts on the best that east and west have to offer

LIFE & ARTS PAGES 20-23
An expanded books section
With William Dalrymple on Pakistan's literary arrival

HOUSE & HOME PAGE 3
Martha Stewart
The original domestic goddess on her favourite home

Market crash shakes world

How the world's markets fell this week...

Market	Fall
Tokyo	▼ 24.3%
Frankfurt	▼ 21.6%
London	▼ 21.1%
New York	▼ 18%

The day in summary

More Lehman pain
The new losses looming thanks to the burst oil barrel markets, pages 18-19

The crash in English
How to tell your CEO from your CFO and the other US-spread www.ft.com/crisis

The euro gold rush
As markets crash, demand for the precious metal soars www.ft.com/markets

The euro panic
It's not about faith in banks, but faith in governments. To view: www.ft.com/markets

Mission impossible
Trying to work out what the market recovery or fall buttons is like. To view: www.ft.com/markets

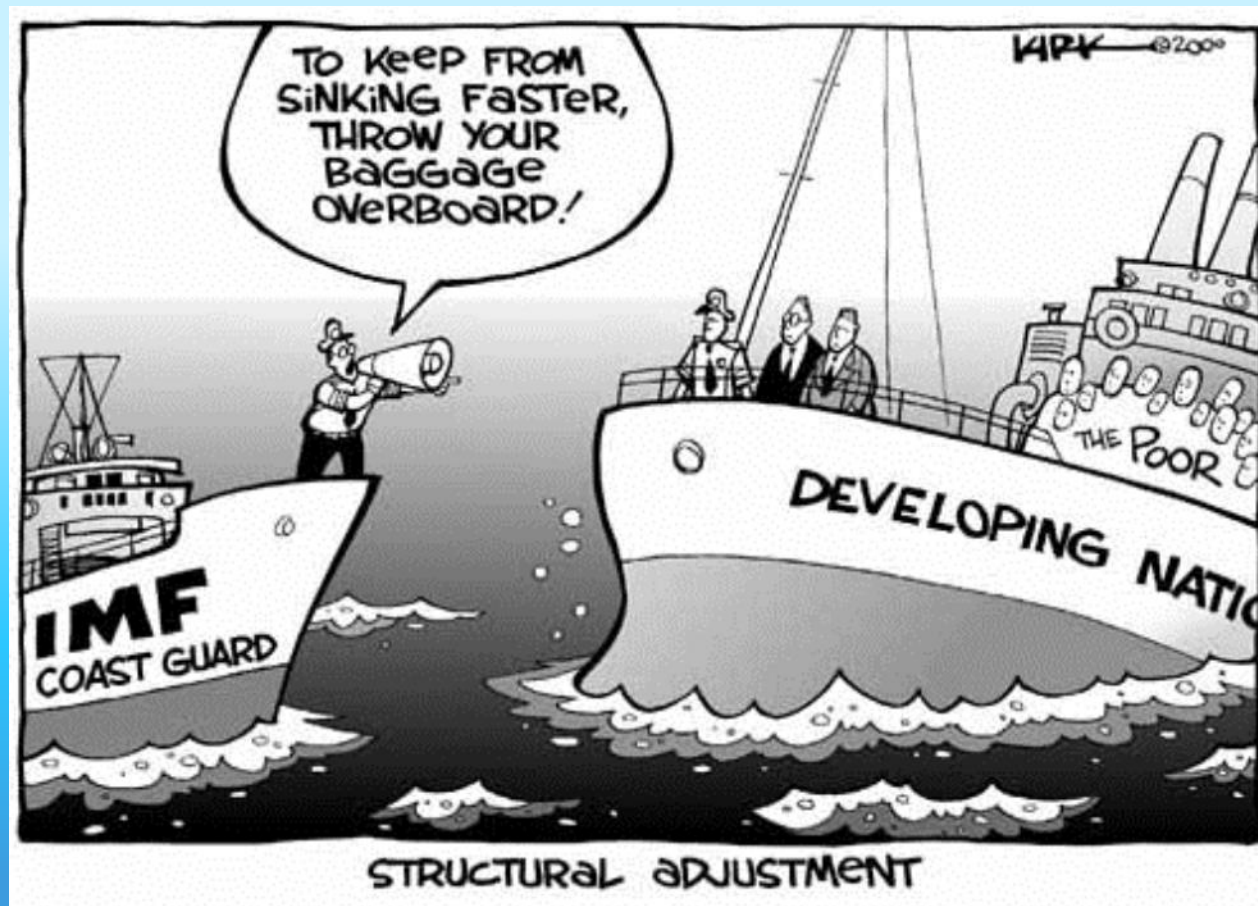
Peace price

Downgrade warning and talk of stake sale batter Morgan Stanley

ZENITH

Financial Times front page, 2008

Development Trap and Structural Adjustment



<https://www.modernghana.com/newsphoto/1/1/914602>

Concrete Examples of Neoliberal Policies

Policies creating ideal markets and competition

- privatize public industries (state owned are sold to private individuals).
- deregulate economy (fewer protections)
- tax cuts (b/c taxes hinder supply and demand signaling and therefore balance)
- monetary policy to keep inflation in check
- control unions and organized labor (ensure the labor market determines wages & benefits)
- expand to international markets
- remove global financial controls (money can move anywhere)

Policies reducing the demand for tax revenue

- reduce public expenditures (universities, social spending)
- downsize government