**SPS Student Cover Sheet**

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| **\*Exam number** | **B252010** |
| **\*Course Name** | **Comparative Politics in a Globalized World** |
| **\*Essay/title of work** | **"Neoliberal globalisation has 'won': all countries are effectively managing their economies in the same way now." Do you agree with this statement of economic convergence? Explain your position from a comparative political economy perspective.** |
| **\*Word count** | **1999** |

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# Introduction

Globalization, which will be defined as “a process that reduces the autonomy of nation-states by integrating economies, cultures, and political systems on a global scale”[[1]](#footnote-2) within this essay, has permeated through global markets over recent decades. Innovations such as digital financial platforms and e-commerce have acted as a catalyst for prosperity, with global trade encouraging countries to open their markets to sustain comparable levels of growth with other nations. These developments have influenced national governments to adopt neoliberal policies, which are noted by Friedman in *Capitalism and Freedom* (1962) to be lassiez-faire strategies such as deregulation, privatization and minimal government[[2]](#footnote-3). This shift towards neoliberal economics reflects globalization's pressure on nations to remove trade barriers and align their economic policies with international market demands. Despite the pervasive influence of globalization and how neoliberal policies have spread, it is necessary to critically examine whether neoliberal globalization has truly reshaped national economies into models that converge[[3]](#footnote-4) on market liberalization, privatization, and deregulation. This idea is often criticized by the argument that rather than adhering to a dominant ideological framework, countries are increasingly adopting hybrid approaches, selectively integrating neoliberal principles with their unique cultural, political, and economic traditions. Both arguments will be evaluated within this essay.

The approach taken within this essay, will be a comparative political economy perspective, looking at the policies adapted by individual countries and the outcomes of said policy through the Economic Freedom Index[[4]](#footnote-5) (1995-2024). From this, countries extent of convergence towards neoliberal economic policies across different nations can be evaluated. To accomplish this, the essay will start with a Research Design, where the dependent and independent variables will be operationalised, and a hypothesis will be established. Following this, there is an analysis section in which relevant data and statistical evidence will be considered with contextual information that may present underlying causes of policy change. Finally, the Conclusion attempts to evaluate the hypothesis and address the research question.

# Research Design

This research will use Mill's Method of Difference (MSSD). In this method, an event's cause can be identified by comparing two identical cases, one where the event occurs and one where it does not, isolating the difference as the likely cause. This research design could be criticized as limited, as the method doesn't guarantee that the differing factor is the actual cause of the event. It could just be another effect of a shared underlying cause, creating issues with the internal validity of the research. Similarly, it relies on finding two cases that are identical in every way except for one specific difference, which is unlikely, which again may produce internally invalid results. To combat this, multiple forms of research (qualitative and quantitative) will be considered to ensure a holistic approach is taken in addressing these cases.

To conduct this analysis, I selected nine countries, which are: Brazil, China, India, Germany, South Africa, Spain, Sweden, United States and the United Kingdom. This selection does not guarantee that the research will be representative of all the countries in the world and their respective economies, but it is an attempt to focus on representative cases to then draw broader insights. Each country represents either a different continent, development status, or political ideology.

These countries will be compared to identify the variables that explain the differences in their approaches to economic policy.

1. The first independent variable to be analysed is economic development. This has been chosen as it is a rational reason why countries would adopt different policy approaches, as they want to remain competitive. To do this, government spending will be assessed as it indicates how much of the economy is led by public expenditure and how nations have adopted growth strategies.
2. The second independent variable is the freedom of businesses within a country’s economic policy. This variable demonstrates regulatory burdens on business operations such as startup costs and licensing requirements. To assess these changes, business freedom over time will be analysed as it measures the regulatory environment, displaying if a country maintains tight control on business/tax and labour.
3. The third independent variable is the state-market balance. This is a structural reason why policy approaches differ from nation to nation. To assess these changes, investment freedom over time will be analysed as it measures the openness of a country's economy to foreign and domestic investments. If the country has export-led growth or import dependency, is a significant factor in how the nation is affected by neoliberal globalisation.

The dependent variable is “the degree of convergence in economic management under neoliberal globalization,” measured through the changes in Economic Freedom Index scores from 1995 to 2024. The index covering the past 29 years should encapsulate the most drastic changes witnessed in neoliberal globalization as it has heightened within this timespan. The Economic Freedom Index scores countries on factors such as government spending, investment freedom and business freedom on a scale from 1 to 100. The development of countries on this scale will be analysed within 5 year-intervals until the current date (1995, 2000, 2005, 2010, 2015, 2020, until 2024). As a form of quantitative analysis, I created data visualizations of the data with the use of RStudio (shown later as figures 1,2,3) using the ggplot2 package, which I designed to highlight trends in the independent variables over time.

However, whilst the index is a useful tool, it does not fully capture the complexity of economic systems and is often critiqued as a western-centric view of freedom, as it suggests that success is determined by neoliberal policy. Therefore, qualitative analysis of this convergence (policy reviews, articles) will additionally be reviewed in unison with the index. Drawing from reviews and analyses of different events by academics, an attempt to create a nuanced approach will be made. This will be done by contextualising the visual and data-based results with the context behind them, e.g. cultural/structural/rational factors.

The hypothesis for this research is: “Neoliberal globalisation has not ‘won’ and national economies have not fully converged to fit a specific model; they retain individuality in their economic management.”

# Analysis

A graph of different colored lines

Description automatically generatedData from the Economic Freedom Index (1995-2024)

As demonstrated in figure 1, countries appear to become clustered around economic development levels as there is a 49.4-point difference in score range between 1995 and 2024. This may be interpreted as convergence; however, this is not the case; it Is skewed by Sweden, which shows a disproportionateincrease from 0 to 28.5 over the 29-year period. Other nations have quite similar levels of government expenditure respectively between 1995 to 2024. Spikes in government expenditure are witnessed commonly surrounding events which required a nation to use an increase in government expenditure e.g. to bail out banks. European countries involved in the Eurozone Crisis[[5]](#footnote-6) such as Spain, Sweden , and Germany, all had an increase in government expenditure from 2005 to 2010 as the crisis caused high debt levels, economic recession, and high unemployment in some countries.[[6]](#footnote-7) Spain was one of the countries most affected by the Eurozone crisis due to its geographical location as a Southern European country, which was typically reliant on sectors like construction which led to a housing bubble and massive private debt.[[7]](#footnote-8) Furthermore, these countries could not devalue the shared currency, the Euro[[8]](#footnote-9) to avoid austerity. Despite this, it only raised by 1.8 points from 2005 to 2010 and later decreased by 15 points after austerity was dealt with. Sweden experienced its largest decrease in GDP in history, to around -4.3%[[9]](#footnote-10) around this date; this could explain its increased usage of government funds to restabilize its economy. This transition was so disproportionate as Sweden had very low prior government expenditure in comparison to these other countries (Spain, Germany). The Eurozone crisis is a prime example of neoliberal globalisation as it involved financial integration, policy responses, and privatization programs. Despite this, the evidence does not suggest that it has fully ‘won’, as it only caused severe convergence in government expenditure and thus economic convergence in some countries.

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Data from the Economic Freedom Index (1995-2024)

As figure 2 displays, countries are evidently converging and becoming clustered together in terms of their regulations on business. This is clearly displayed within the difference in score range between 1995 and 2024. In 1995 the range between the UK and India was 45 (100-45) whereas in 2024 it was 23.4 between South Africa and the US (84.8-61.4). It is a reasonable assumption that this convergence is due to neoliberal globalisation; nations must alter their business practices to remain competitive in an economy highly impacted by globalised technological development. For example, the US and China both purchase Taiwanese microchips from the company TMSC, their share is around 54% of the global market, as they create microchips with advanced computational power smaller than 10 nanometres[[10]](#footnote-11). This demonstrates how technological interdependence forces nations to adjust their business regulations, such as import standards or intellectual property laws, to maintain access to critical resources.

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Data from the Economic Freedom Index (1995-2024)

Figure 3 illustrates that countries are not converging when it comes to investment freedom, they are diverging. The difference in score range between China (20,50) and the US (80,70) from 1995 to 2024. In 1995 there was a range of 20 (70 – 20) whereas in 2024 there was a range of 60 (80-20). This is due to a difference in the state-market balance in their economies. China has trailblazed as a nation with an excellent economic trajectory whilst withholding a state-led economy. For example, the Belt and Road Initiative (BRI) is an extravagant global infrastructure plan to connect Asia, Africa, and Europe and stimulate economic growth; the Chinese government provides financing and state-owned enterprises to oversee construction.[[11]](#footnote-12) Furthermore, India has a higher investment freedom score than China (40 in 2024), but it is significantly lower than that of the US/UK/Germany/Sweden. India has a mixed economy that has engaged with liberalisation but is subject to conditions.[[12]](#footnote-13) There has been success in industries like technology and pharmaceuticals, which occurred under liberalized policies.[[13]](#footnote-14) Whilst areas, such as agriculture, have been subject to heavy regulation. This illustrates how India has had the autonomy to selectively embrace globalization whilst protecting vulnerable sectors. These examples demonstrate that neoliberal globalisation has not ‘won’; it has augmented what is expected of nations goal-wise but has not fully implicated how countries can achieve these goals.

# Conclusion

The question asks if all countries are effectively managing their economies in the same way now and that neoliberal globalisation has won. After consideration, the hypothesis should be accepted as it is evident that neoliberal globalisation has not ‘won’. Whilst some convergence is apparent, it is to a degree as countries have slowly become closer in their business freedom scores and somewhat with economic development/government spending but not enough for a nation’s autonomy to be erased. In addition, divergence was witnessed within the state-market balance, disproving this theory outright. The question is reductionist, as it does not reflect the cultural and structural differences between states that have been witnessed as prominent factors within this research and is deterministic due to its assumption that nations have no control over their economic management and policies under neoliberal globalisation.

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