CHRONIC ECONOMIC CRISIS (NEOLIBERALISM)

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Abstract—*The crisis in the Eurozone is leading, once again, to the adoption of policies such as bail – outs and austerity that belong to the neo-liberal paradigm that partly precipitated the crisis.Neo-liberalism describes a market – driven approach to economic and social policy based on neoclassical theories of economics that stresses the efficiency of private enterprise, liberalized trade and relatively open markets, and therefore seeks to maximize the role of the corporate sector in determining the political and economic priorities of the state. Chronic economic crisis throughout the 1980s and the collapse of the Communist bloc at the end of the 1980s helped foster political opposition to state interventionism in favor of free market reform policies initiated-various-neoliberal-market-reforms. It is characterized by periodic crisis of varying intensity, triggered by developments in capital, credit and / or currency markets. The numbers of the organized working class does not increase. The effect of all this is visible in the stagnation of the real wage in the organized industrial sector even when productivity is rising rapidly. Neo-liberalism is able to and even relies on an expansion of consumption among the upper middle classes. For instance, the euphoria grew into a folly during 1999 when the fear of the "Y2K bug" fueled huge corporate spending on new computer systems while internet entrepreneurs launched one spectacular initial public offer after another. In general, the EMEs were for the first time as a bloc capable of providing a net stimulus to the world economy in times of crisis*

Keywords—Global Conjucture, Paradigm, Deprivation, Extracted, Trynnical, Austerity, Recaptulation, Volatility

1. INTRODUCTION

The crisis in the Eurozone is leading, once again, to the adoption of policies such as bail – outs and austerity that belong to the neo-liberal paradigm that partly precipitated the crisis. In fact, a feature of the recent global conjuncture, starting with the 1997 crisis in East Asia and culminating in the financial crisis and Great Recession of more recent date is that while economic events have discredited Neo-liberalism as an economic ideology, it continues to dominate policy discourse and practice.

2. ORGIN

Neo-liberalism describes a market – driven approach to economic and social policy based on neoclassical theories of economics that stresses the efficiency of private enterprise, liberalized trade and relatively open markets, and therefore seeks to maximize the role of the corporate sector in determining the political and economic priorities of the state.

The term " Neo-liberalism" has also come into wide use in cultural studies to describe an internationally prevailing ideological paradigm that leads to social, cultural, and political practices and policies that use the language of markets, efficiency, consumer choice, transactional thinking and individual autonomy to shift risk from Governments and Corporations onto individuals and to extend this kind of market logic into the realm of social and affective relationships.

Global spread

Chronic economic crisis throughout the 1980s and the collapse of the Communist bloc at the end of the 1980s helped foster political opposition to state interventionism in favor of free market reform policies initiated various neoliberal market reforms, such as the Socialist Federal Republic of Yugoslavia under the direction of Ante Markovic (until the country's collapse in the early 1990s), and the People's Republic of China under the direction of DengXiaping.

Changes occurred from the 1970s to the 1980s. Started off with most of the democratic world governments, it focused primarily on the primacy of economic individual rights, rules of law and roles of the Governments in moderating relative free trade. It was almost considered national self determination at the time.

Stances of organized labor shifted when Governments of Ronald Reagan and Margaret Thatcher took strong stances to break down trade barriers entirely to reduce Government power, thus, allowing the market to be more important. As a result, industries have increasinglymerged globally with integrated knowledge boosting the economy.

Policy

Neo-liberalism seeks to transfer control of the economy from the public to the private sector under the notion that it would result in minimal role of Government in economic matters and improve the economic health of the nation. The definitive statement of the concrete policies advocated by Neo-liberalism is often taken to be John Williamson's " Washington Consensus", a list of policy proposals that appeared to have gained consensus approval among the Washington – based international economic organizations (like the International Monetary Fund (IMF) and the World Bank).

All is Not Well

What has become clear over the last decade is that the Neo-liberal order has associated with it a set of outcomes that should delegitimize it. It is characterized by periodic crisis of varying intensity, triggered by developments in capital, credit and / or currency markets, resulting in slow growth, rising unemployment and increased deprivation.

The livelihood of those dependent on agriculture, which is home too much of the laboring poor, deteriorated and is even endangered. The free rein given to private capital resulted in predatory practice, as in forestry and the mining industry for example, that had an adverse impact on the already the poor and the marginalized and on the environment. Overall, a Neo-liberal trajectory implied that the surpluses extracted from the productive sectors increased damaging the livelihood

Not surprisingly, across the world it was a time of discontent, though Governments claim that the worst is behindthem. In the US, a president who came to power against historic odds was fast losing popularity, with his ratings in the 40s. His party suffered a setback significantly in the mid – term elections to the Senate and the House of Representatives. Barack Obama's popularity slump has been a puzzle to commentators, since he has in the form of medicare , financial re- regulation and much else done more than many of his predecessors. But he came after the crisis had struck and roused aspirations that he has failed to meet. His failure is not that he has not done anything, but whatever has been done is seen as too little. In the event, the government is being blamed for creating the problems it did not solve. And, in a sheer twist of fate, big money and the most conservative right have exploited, however temporarily, the opportunity to undermine even the weak force that stands against them in the form of president Obama. At the forefront of this was the US Tea party movement which has managed to convince some Americans that Obama's Government is tyrannical.

In France, union workers striking against pension reforms that sought to raise the retirement age were soon joined by students who called for a boycott of universities and took to the streets in often violent action. Elsewhere in Portugal, Greece, Spain and Ireland austerity measures imposed to deal with deficits created by bailouts of financial firms are being opposed. England, where a massive austerity program involving 81 billion in spending cuts and the loss of 500,000 jobs in the public sector has been launched by the Cameron Government, has been rocked by violent protests by students who protested against steep tuition fee hikes in and budget cuts for universities.

3. FEW VICTORIES

Despite these agitations, the opposition to Neo-liberalismhas few victories. This is partly because the neoliberal trajectory weakens certain important forces of opposition. Most importantly, neoliberal development weakens the organized working class in multiple ways. The numbers of the organized working class does not increase. Within wage employment, the organized employment stagnates and even declines. In sum, even when employment is in the organized sector, the nature of employment becomes informal and insecure, encouraging workers to turn away from unionization and even organized protest.

The effect of all this is visible in the stagnation of the real wage in the organized industrial sector even when productivity is rising rapidly. This has meant a sharp fall in the share of wages in value added. Not surprisingly, unionism is on the decline and the effort to organize workers even to fight economic struggles, let alone transcend them, is proving increasingly difficult. This is of significance because the conditions of workers in the organized sector provided the benchmark for wages and working conditions of unorganized sector. If those conditions stagnate and deteriorate the task of mobilizing the unorganized, which has become structurally crucial for the opposition to Neo-liberalism is that much more difficult.

Finally, the dominance in practice of neoliberal ideology has been aided by the fact that in its phases of success, Neo-liberalism is able to and even relies on an expansion of consumption among the upper middle classes. Even what offered "contractual" employment with self funded social security, leading sections of the middle class are bought off with high salaries and opportunities for credit – financed consumption. " That offers is not the result of largesse to the middle class, but is part of the change in the regime of accumulation in neoliberal strategies, which has as its fall out the cooption of a section of the erstwhile middle class, which provided the most vocal and articulate voices of dissent and protest in the past. Despite the crisis, that is yet,to-change.

The weak opposition and the dominance of finance is worsening matters considerably. The fundamental problems remain the same. Household balance sheets are under strain because of the legacy of debt accumulated during the boom. Unemployment is curtailing current incomes. And credit is either unavailable to or being avoided by those who need to expand consumption because of a collapse of net worth. In the event, private consumption expenditure in much of the developed world, which stagnated in real terms in 2008 and declined significantly in 2009, is unlikely to recover substantially in 2009, is unlikely to recover substantially in 2010. On the other hand, Governments across the developed world, overcome by conservative fears of excess public debt, are holding back on public expenditure or resorting to severe austerity measures. Aggregate spending therefore is low. Not surprisingly, output growth remains sluggish.

In sum, the fear than an early retreat from the stimulus would deliver a second dip is still with us, at least in the developed world. Even in the US, where talk of a stimulus is repeatedly heard, the requisite action to spur the economy is not forthcoming. This time too, therefore, finance has won. But it is victory that worsens the conditions of populations that have been badly hit by a crisis that finance precipitated. Inevitably, therefore resentment has been manipulated and misdirected (as in the US). It has failed to realize their immediate objectives (as in France) or has been weak (as in England). But if as it did when it kept speculating its way to a crisis, finance capital is able to capture governments and pressurize them into worsening an already unbearable distribution of incomes and benefits between the rich the poor, the protests could intensify and turn explosive. Unfortunately, who would win and who would lose at that point is still unclear.

For instance, the euphoria grew into a folly during 1999 when the fear of the "Y2K bug" fueled huge corporate spending on new computer systems while internet entrepreneurs launched one spectacular initial public offer after another, turning them and their venture – capital supporters into multi-billionaries overnight. It was in March 2000, after the Y2K bug had proven to be a hoax and the bubble collapsed. As is the case in many financial crises, this one too served the useful purpose of weeding out the mad and the weak to leave behind a battle – tested "hard" core on both sides of the ledger (producer and financier) learning from mistakes to make their engagements more resilient. That is exactly what also happened to the "junk" bonds and the corporate raiders after the collapse of the first bubble a dozen years earlier. This second bubble pushing the interne was, however, less dependent on foreign capital inflows and more of a home – grown phenomenon even though US current account deficits reached in 2000 in support of the emerging – market economies trading their way out of their crisis. The subsequent bubble – burst recession of 2000-01 was made worse by the 9/11 attack, but the fed and Bush both pushed the gas pedal (with super-low interest rates and large increases in US budget deficits) to achieve a sustainable recovery by the end of 2002. Even more financial capital flowed the other way, with European banks getting hooked after 2005 to the high-yielding, but supposedly super-safe US mortage-backed securities while central banks of Emerging – Market Economies bought huge amounts of US Treasuries in their attempts to hold down their now – undervalued currencies so that their export – led booms could continue unabated.

The subsequent disintegration of this funding machine, in the so-called subprime crisis, set off runs on particularly exposed lenders all the way to the bankruptcy of Lehman Brothers in mid-September 2008 triggering a panic run in the world's money markets which pushed the global economy into a depression – like downturn. The worst was only averted by massive, coordinated government intervention in the G-20, comprising bank bailouts and recapitalization, fiscal stimulation packages, and unorthodox monetary policies at the zero-bound known as "quantitative easing. The emerging-market economies, Brazil included, survived the systemic crisis of 2007-08 surprisingly well, with only a relatively minor trade-induced recession pause interrupting their rapid-growth path soon to be resumed. In general, the EMEs were for the first time as a bloc capable of providing a net stimulus to the world economy in times of crisis. Brazil's finance minister Guido Mantega was correct in characterizing this situation as one of "currency appreciation priced because the EMEs would not be able to sustain export-led growth if currency appreciation priced them out of the world markets. Carry trade also made EMEs subject to greater currency-price volatility, with sudden reversals a distinct prospect whenever global investors became nervous about the Fed's intentions with regard to quantitative easing. All this presents a highly challenging post-crisis environment for EME Governments. The true challenges are in the end structural in nature.

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