

What is "Neo-Liberalism"? A Brief Definition

by Elizabeth Martinez and Arnolando García

"Neo-liberalism" is a set of economic policies that have become widespread during the last 25 years or so. Although the word is rarely heard in the United States, you can clearly see the effects of neo-liberalism here as the rich grow richer and the poor grow poorer.

"Liberalism" can refer to political, economic, or even religious ideas. In the U.S. political liberalism has been a strategy to prevent social conflict. It is presented to poor and working people as progressive compared to conservative or Right-wing. Economic liberalism is different. Conservative politicians who say they hate "liberals" -- meaning the political type -- have no real problem with economic liberalism, including neo-liberalism.

"Neo" means we are talking about a new kind of liberalism. So what was the old kind? The liberal school of economics became famous in Europe when Adam Smith, a Scottish economist, published a book in 1776 called *The Wealth of Nations*. He and others advocated the abolition of government intervention in economic matters. No restrictions on manufacturing, no barriers to commerce, no tariffs, he said; free trade was the best way for a nation's economy to develop. Such ideas were "liberal" in the sense of no controls. This application of individualism encouraged "free" enterprise, "free" competition -- which came to mean, free for the capitalists to make huge profits as they wished.

Economic liberalism prevailed in the United States through the 1800s and early 1900s. Then the Great Depression of the 1930s led an economist named John Maynard Keynes to a theory that challenged liberalism as the best policy for capitalists. He said, in essence, that full employment is necessary for capitalism to grow and it can be achieved only if governments and central banks intervene to increase employment. These ideas had much influence on President Roosevelt's New Deal -- which did improve life for many people. The belief that government should advance the common good became widely accepted.

But the capitalist crisis over the last 25 years, with its shrinking profit rates, inspired the corporate elite to revive economic liberalism. That's what makes it "neo" or new. Now, with the rapid globalization of the capitalist economy, we are seeing neo-liberalism on a global scale.

A memorable definition of this process came from Subcomandante Marcos at the Zapatista-sponsored Encuentro Intercontinental por la Humanidad y contra el Neo-liberalismo (Inter-continental Encounter for Humanity and Against Neo-liberalism) of August 1996 in Chiapas when he said: "what the Right offers is to turn the world into one big mall where they can buy Indians here, women there ..." and he might have added, children, immigrants, workers or even a whole country like Mexico."

The main points of neo-liberalism include:

1. **THE RULE OF THE MARKET.** Liberating "free" enterprise or private enterprise from any bonds imposed by the government (the state) no matter how much social damage this causes. Greater openness to international trade and investment, as in NAFTA. Reduce wages by de-unionizing workers and eliminating workers' rights that had been won over many years of struggle. No more price controls. All in all, total freedom of movement for capital, goods and services. To convince us this is good for us, they say "an unregulated market is the best way to increase economic growth, which will ultimately benefit everyone." It's like Reagan's "supply-side" and "trickle-down" economics -- but somehow the wealth didn't trickle down very much.
2. **CUTTING PUBLIC EXPENDITURE FOR SOCIAL SERVICES** like education and health care. REDUCING THE SAFETY-NET FOR THE POOR, and even maintenance of roads, bridges, water supply -- again in the name of reducing government's role. Of course, they don't oppose government subsidies and tax benefits for business.
3. **DEREGULATION.** Reduce government regulation of everything that could diminish profits, including protecting the environment and safety on the job.
4. **PRIVATIZATION.** Sell state-owned enterprises, goods and services to private investors. This includes banks, key industries, railroads, toll highways, electricity, schools, hospitals and even fresh water. Although usually done in the name of greater efficiency, which is often needed, privatization has mainly had the effect of concentrating wealth even more in a few hands and making the public pay even more for its needs.
5. **ELIMINATING THE CONCEPT OF "THE PUBLIC GOOD" or "COMMUNITY"** and replacing it with "individual responsibility." Pressuring the poorest people in a society to find

solutions to their lack of health care, education and social security all by themselves -- then blaming them, if they fail, as "lazy."

Around the world, neo-liberalism has been imposed by powerful financial institutions like the International Monetary Fund (IMF), the World Bank and the Inter-American Development Bank. It is raging all over Latin America. The first clear example of neo-liberalism at work came in Chile (with thanks to University of Chicago economist Milton Friedman), after the CIA-supported coup against the popularly elected Allende regime in 1973. Other countries followed, with some of the worst effects in Mexico where wages declined 40 to 50% in the first year of NAFTA while the cost of living rose by 80%. Over 20,000 small and medium businesses have failed and more than 1,000 state-owned enterprises have been privatized in Mexico. As one scholar said, "Neo-liberalism means the neo-colonization of Latin America."

In the United States neo-liberalism is destroying welfare programs; attacking the rights of labor (including all immigrant workers); and cutting back social programs. The Republican "Contract" on America is pure neo-liberalism. Its supporters are working hard to deny protection to children, youth, women, the planet itself -- and trying to trick us into acceptance by saying this will "get government off my back." The beneficiaries of neo-liberalism are a minority of the world's people. For the vast majority it brings even more suffering than before: suffering without the small, hard-won gains of the last 60 years, suffering without end.

Elizabeth Martinez is a longtime civil rights activist and author of several books, including "500 Years of Chicano History in Photographs." Arnoldo García is a member of the Oakland-based Comité Emiliano Zapata, affiliated to the National Commission for Democracy in Mexico. Both writers attended the Intercontinental Encounter for Humanity and against Neo-liberalism, held July 27 - August 3, 1996, in La Realidad, Chiapas.

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Elizabeth Martinez <betital@aol.com>
and Arnoldo Garcia <agarcia@igc.org>