



Advantages and Disadvantages of Neoliberalism/Neoliberal Economic policy in General and the case of Ethiopia in Particular

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Introduction: The same dictionary describes Neoliberalism also, which is said to be “a modified or revived form of traditional liberalism, [especially] one based on belief in free market capitalism and the rights of the individual” (Oxford English Dictionary 1989a). Currently because of the age of globalization, the world is becoming to be conceived as a village. One of the major projects of globalization is the integration of the political economy of the less developed regions in to the global political economic order. Accordingly, during the past few decades the continent of Africa has been trying to integrate itself in to the international political economy either forcefully or by consent. Generally, it is obvious that the main theme of neoliberalist is a fundamentalist view of “leaving everything for the market and the private investors with no interference of the government on the economy except keeping law and order.

Historical Background of Neoliberalism: Now a day, world is integrated and became a village. The driving force of this integration is the ideology of Neoliberalism. Under this integration states are recommended or forced to open up their markets to foreign companies competitions, to minimize the role of the government in the economy including minimizing the government expense for social security and social goods, to create fertile grounds for the market to be the only means to distribute the wealth of a nation and the prices of goods and services to be determined based on the principles of demand and supply (Tewdros, 2011: iii).

According to Saad-Filho and Johnston (2005:1), “we live in the age of neoliberalism”. The policy of “neoliberalism can be traced to the late 1960”s and early 1970s as a particular strategic response to the crisis of Keynesianism” (Fassil, 2008:506). It was started in 1960s by a group of professors from Chicago University mainly by Milton Friedman. Milton Friedman (1912-2006) was an American economist, statistician and author who taught at the University of Chicago for more than three decades. It is an ideology based on economic liberalism. The ideology favors economic that minimize the role of the state in the management of an economy and advocates a greater role for private business sector (Teshome, 2012:385).

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Debates on Neoliberalism Ideology in Africa

In terms of economy, there are so many benefits that would be gained by Sub-Saharan African countries, if they introduce neoliberal economic policies like free market economy. These benefits can easily be accessed through regional economic integration arrangements. Regional economic integration arrangement can be defined as “any policy designed to reduce trade barriers between a subset of countries regardless of whether those countries are actually contiguous or even close to each other.” (Winters, 2003: 8). Economic liberalism is, basically, the belief that states ought to abstain from intervening in the economy, and instead leave as much as possible up to individuals participating in free and self-regulating markets (Tewdros, 2011).

Currently, there is a hot debate among different politicians and academicians regarding to the root causes of the underdevelopment of Africa. Most of the time, those debates revolve around the economic and political ideologies that political leaders of the region are following. There are two views on ideology of neoliberalism in African context. These are group support the applicability of neoliberalism in Africa and against the applicability of neoliberalism in Africa

Group support the Applicability of Neoliberalism in Africa

Some politicians and academicians argue that, the imposition of the principle of liberal democracy (Neoliberalism) on Africa by Western proponents of capitalist countries and financial institutions makes the continent of Africa the most undeveloped continent of the world. Others argue that, the root cause for the backwardness of Africa is the weakness of states in Africa to fully liberalize their political economy (ibid. p.1).

Carla Freeman (2007) in his article, “the reputation of Neoliberalism” discusses the positive impacts of Neoliberalism in the developing countries. According to him

flexibility as the corner stone of the current neoliberal agenda - embodied in mandates for the fluid movements and restructuring of labor, capital and information and at individual level, in a supple capacity for creative self-invention and self-mastery. Here, Freeman tries to show us to what extent neo-liberalism is an important political and economic ideology that all developing countries like that of most African countries should implement for the advancement and prosperity of their citizens.

Since neoliberalism by its nature gives priority for “individualism or individual rights, free choice, freedoms or civil liberties and democratic accountability” (Kassongo, 2005:11), it can play its great role in resolving the frequent violations of human rights- be it civil and political rights or economic and social rights- by authoritarian African governments on their citizens. Not only this, the ideology of neoliberalism makes governments to be accountable to their citizens. Many scholars argue that “the main causes of poverty in the Sub-Saharan Africa are lack of economic freedom embodied in self-imposed policies and systemic and rampant corruption” (Peet, 2001).

Denise Forning in his important article entitled as, *The Benefits of Free Trade: A Guide for Policy Makers*, argues that free trade which is one among the main goals of neoliberalism has the solution for the uncontrolled corruption which widely spreaded in Sub-Saharan African states which retarded back the region’s socio-economic advancement (Forning, 2006: 6).

Andreason (2005) understood neoliberalism as an ideology that encourages the spread of Western economic and political values such as democratization and multi-party system. Based on Andreason’s conclusion, one can argue that neoliberal policies can play a great role in spreading democratization, multi-party system in Africa, where dictatorial leadership and one party system have elongated their roots for a long period of time.

Group against the Applicability of Neoliberalism in Africa

When we come back to arguments against the applicability of neoliberalism in Africa, in his article entitled: *Economic faith, social projects and a misreading of African society: the travails of neoliberalism in Africa*, Graham Harrison (2005) tries to show us to what extent attempting to put into practice the fundamental principles of neoliberalism in Africa is related to the absence of understanding the socio-economic realities of African societies. "Neoliberalism emerged as a synonym for the mainly externally directed attempt to remove the state from the economy" (Harrison, 2005:1330). According to Harrison, expecting the market to distribute the wealth of the nation equally is hindering the large portion of poor African people which is in need of the intervention of the state in the economy in order to realize some sort of social justice. Harrison recommends "a developmental state that can intervene in markets in ways to do not push them to be more competitive or free" (Harrison 2005:1316).

Starting from the second half of the nineteenth century up to the 1960's the Western industrialized states, mainly the European Super Powers, highly exploited the valuable resources of Africa by using their effective military colonization over the continent. And this enabled them to build their military and economic power at a spectacular level, while the source of their prosperity – the continent of Africa – still remains as the poorest continent where the majority of its population has not adequate access to basic economic needs like food and shelter (Tewdros, 2011:47). Neoliberalism, which is mainly introduced by Western industrialized states to protect their economic interests in Africa (easily to get access to the valuable resources of Africa) and other developing countries, unlike to the previous one, they did not come back by taking their modern military weapons to force African states to force their will, rather they come back with their new innovation which is commonly known as neoliberalism (ibid.)

Because of the imposition of the principles of neoliberalism upon Africa, African states are forced to open their markets to the Western Multi-National Corporations, forcefully obliged to accept the Western norms of "human rights" and "democracy". But not only this, because of the introduction of neoliberalism into the political economy of Africa, African states are made to be very weak – mainly because they are forced to hand over the role they ought to play in their national economy to the western Multi- National Corporations - which is against the principles of Westphalian treaty of 1648 (ibid: 47-48).

According to Andrzej Bolesta (2007:107), "the so called global economy is by no means liberal." This can be clearly seen from the way the Western industrialized countries are continually influencing the African states to open their economy for the Western Multi-National Corporations, while they impose so many trade barriers on their imports from Africa. The other neoliberals" view that has to be criticized is their plan to see a "minimal" or a weak state in Africa. They want to confine or limit the activities of the state only to law enforcement and national defense.

By the same manner Lumumba–Kasongo (2005), argues that the maturity of the state and the level of social and economic condition are determining factors in the development and function of liberal democracy. Because of this, since neoliberalism is based on free market policy and individualism which are the invention of Western society, it is against "the metaphysics of African societies which is highly characterized by the principle of collective existence than that of individualism" (Lumumba-Kasongo, 2005:15). He recommends that "Africans need to establish developmental democracy and the developmental states" (2005:21) in order to deal effectively with extreme poverty, political instability and civil wars.

Getachew Nigatu (2010) in his article entitled: *Neoliberalism and the Washington Consensus*

Under- Developing the poor, argues that, neoliberalism is an ideology which is imposed on the developing countries by the western developed states, in order to advance their own economic and political interests. It implies that because of the determination of Western powerful states, especially USA and UK to make their domestic political ideology acceptable all over the world and to secure their national interests permanently by establishing institutions like the International Monetary Fund (IMF) and the World Bank. As it is obvious, Africa could not escape the influence of these capitalist states.

Again, Getachew tries to show the negative impacts of neoliberalism on the poor countries, if the poor states hand-over all the major economic and infrastructural sectors to the western Multi-national corporations (MNC"s). The author strongly argues that, neoliberals "are against the role of strong state and reject government intervention in economic, financial and even social affairs (Getachew, 2010:2), which is against the interest of the poor. This is because poor countries with little or no infrastructure need "strong government which provides health, telecommunications, schools and other services" (Getachew, 2010:13). Generally speaking, Getachew in this article is arguing against the neoliberal view which promotes *using the whole world to maximize profit*.

According to a research conducted by Boas and Gans- Morse (2009), out of the 148 different articles written and published on neoliberalism in the top comparative politics, development and political economy between 1990 and 2004 only four of them (3%) are consisted of positive view towards neoliberalism.

Debates on Neoliberalism Ideology in Political Economy of Ethiopia

There are two views on the ideology of neoliberalism in context of Ethiopia. These are Arguments for neoliberalism in political Economy of Ethiopia and against neoliberalism

in political economy of Ethiopia. Both views are organized as follows;

Arguments for neoliberalism in Political Economy of Ethiopia

Free trade among two or more countries, "will improve the welfare of the member countries as long as the arrangement leads to a net trade creation" (Alemayehu & Haile, 2002:4).

Arguments against neoliberalism in Political Economy of Ethiopia

Tesfaye Kidan, in his article which is entitled: "Should we care about Neoliberalism?", tries to criticize the way the current government of Ethiopia identifies the opposition parties, by putting all of them in to the basket of "market fundamentalists" (neoliberals), while the EPRDF government itself subscribes to the most of the principles of neoliberalism. According to him, "except the liberalization of the capital account, privatization of the Telecom services and entry of foreign banks, all the recommended policies of neoliberalism are implemented in Ethiopia, though with varying intensity" (Tesfaye, 2009:3).

According to Tesfaye (2009), in poor countries like Ethiopia, wasting much time by debating on choosing ideologies should not be a great deal. The most important thing here is to try our best to alleviate the socioeconomic and political problems that our country is facing now. We agree with what Tesfaye elucidated. But, the question here is, it will be impossible to alleviate our socio-economic problems without having a political and economic ideology that can effectively address our problems.

Meles Zenawi (former PM of Ethiopia) boldly challenged the neoliberal policy prescriptions and openly stated that Africa needs a paradigm shift away from the predatory state and neoliberal paradigm to a home-grown and more progressive one, i.e. democratic developmental state (Meles, 2012).

Meles argues that the neoliberal paradigm is dead end incapable of bringing about the Africa renaissance. To this effect, he adamantly

recommended a fundamental shift in a new paradigm and the need for African states in general and Ethiopia in particular to move towards becoming developmental state (Teshome, 2012).

Advantages of Neoliberalism

1. According to the Economic Commission for Africa (ECA) 2004 report “revitalized regional integration offers one of the most credible strategies for taking Africa’s development challenges, because of the many weaknesses in resource and other aspects of economic capacity that individual countries face”(ECA, 2004:4).

Disadvantages of Capitalism

Neoliberalism seems to be the main cause of several treacherous problems these days.

1. Opponents of neoliberalism strongly urge that neoliberalism is the main cause of increasing gap between rich and poor in modern society.
2. Incremented unemployment rate and side effects from globalization.

Ethiopia

Basically, “neo-liberalism as a new world phenomenon encourages the accumulation of capital and the playing of minimal role of the government in public life” (Getachew, 2010 cited in Reta, 2011).

When we come to the context of Ethiopia, EPRDF’s Revolutionary Democracy is not fully pure from the principles of neoliberalism.

According to some critics, the current government of Ethiopia is “implementing about fifty percent of neoliberals” policy proposal with its most capacity” (Tesfaye 2010 cited in Reta: 2011).

Most of the time, the agenda of opposition parties of Ethiopia and ruling party is about the role of government in the economy of Ethiopia. Opposition parties argue that free market economy which takes the real context of Ethiopia into consideration and which is based

on the principles of demand and supply. In contrast to this, ruling party, argue that, there is no free market economy which is free from government intervention. Again they argue that, the principles of demand and supply cannot work in the economy of Ethiopia, the government has to be the main actor in the national economy. Hence, the current government intervention is purposive and has positive impact on the wellbeing of the country and based on this the current government should not be blamed as being unlimited government.

Hint; Neoliberalism is the theory that runs through capitalism, an economic system that emphasizes wealth accumulation guided by free market. In capitalism, as in neoliberalism, state intervention must be minimal in economic relations and the circulation of service, capital and people must be free.

Neoliberalism is usually more associated with trade, capital and state regulation of these. It is characterized by a move to open markets, low state intervention, free movement of capital and goods. The state still has a role to play in providing defense and financial infrastructure.

Recommendations

1. Government should take somewhat care of the market. First of all, government should concern about welfare system so that poor people can get enough financial support to lead safe life. If the world is only sustained by laws of neoliberalism , poor people cannot earn any chance to success or improve their economic conditions

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