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Sustainable development and economic liberalisation in less developed countries

School of Agriculture, Policy and Development
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Lecture Summary

Debates about ‘sustainable development’

What is ‘neoliberalism’ and where did it come from?

How did it (does it) arrive in LDCs? / Theory vs. reality for LDCs

Market failures and contradictions

Can markets deliver ‘Sustainable Development’?

Neoliberalism as an ‘unstoppable tide’?

Case study 1: Argentina / Case study 2: Bolivia

What is 'neoliberalism'? (1)

The idea that the 'free market' should be the guiding force for society

So what is the free market?

Where economic actors operate without government intervention

Private actors compete to deliver products and services

The 'Profit Principle'

Adam Smith's 'invisible hand'

And why is it argued to be a good thing?

Shifts decision making to a system of individualised economic incentives

Allows for private capital investment and risk taking

Stimulates innovation & economic efficiency

Benefits 'trickle down' to the poor

What is 'neoliberalism'? (2)

Argues that government control of the economy fails because:

- Lacks proper information
- Politicised incentives and interests
- Conflicting agendas – gov. remit not just economic policy

So, promotes policies of:

- Liberalisation (competition)
- Privatisation (sale of SOEs to private hands)
- Deregulation (minimising state control over prices and quotas)

Where did it come from?

Harks back to classical economic liberalism (neo = new)

Intellectual history: Hayek, Friedman, the Chicago School

Economic stagnation in late 1970s

Political backing: Thatcher (UK) / Regan (US)

Gained new strength after capitalist 'victory' in the 1990s

Clinton & Blair 'soft' neoliberalism (?)

How did it arrive in LDCs?

Role and importance of IFIs – the ‘Washington Consensus’

1982 Latin American debt crisis (Mexico in particular)

New lending & ‘conditionalities’

Pressure to reduce fiscal spending = pressure to privatise

General failure of state-led development in 1970s/80s

Need to address expanding technological divide

Theory vs. reality for LDCs

Local context and institutions determine outcomes

Can / should a 'western' construct be transplanted to LDCs?

Often privatisation without competition (worst of both worlds)

Lack of transparency / domestic corruption

Loss of control over economic policy = neo-colonialism?

The 'invisible elbow' – LDCs get ignored? (Bottom Billion)

Market failures

Dependency on foreign capital = outward flow of revenues

Investments limited to certain sectors – resource curse?

Asymmetric access to information and skills

Environment not valued in traditional financial accountancy

Minimal taxation/revenues for host governments

Markets for health and education?

Foreign accountability vs. local democracy?

Contradictions

Bigger picture: is 'green-growth' really possible?

Common reference to the Asian tiger economies

EU and US agricultural subsidies distort free trade

Small consumer markets and limited purchasing power
(the chicken and egg problem)

Limited bargaining power for LDCs – deal making

Effective role for CSR – importance of corp. reputation?

Can markets deliver SD?

Neoliberalism argues in favour of:

Voluntary agreements over legally binding regulation

Market mechanisms over taxation

What about the global ‘race to the bottom’?

Reliance upon FDI creates insecurities and risks

Minimal investment in education sets back development by years

Regressive impacts of public service privatisation

Can markets deliver SD?

Exporting emissions and resource-intensive industries to LDCs
(20% of China's CO₂ emissions as 'export' emission)

State socialist lack of transparency and reporting –Azerbaijan

Greater transparency + market rule = great accountability?

Role and importance of Corporate Social Responsibility

An unstoppable tide?

‘Globalisation’ underpinned by neoliberalism (ideology & policy)

Increased competition within and between countries

Are LDC governments powerless?

Neoliberal forces are not absolute – unlike a tide

Importance of divide between neoliberal ‘rhetoric and reality’

Pro-market arguments often used selectively and inconsistently

Neoliberalism: summary

The neoliberal project is a politicised and contradictory set of policies presented as objective economic ‘fact’

As a term, is often used as normative rather than analytical

Largely imposed on LDCs via the IFIs

Complex and contradictory

Important divisions between ‘rhetoric and reality’

Specific outcomes embedded in country context

Neoliberalism summary

Mixed 'successes' for development in LDCs

Increases in economic insecurity and uncertainty

Inequitable distribution of benefits (failure of 'trickle down')

How to address non-market activities – health, education?

Importance of bargaining power and revenues for LDCs

Limits to neoliberalism – resource scarcity gives power to LDCs?

Essay question

“With reference to public utilities and/or extractive industries, identify and discuss how policies of modern economic liberalism have helped and hindered progress towards sustainable development in developing countries”

Latin America

Ideological battleground

Continent with most neoliberal 'experience'

Widespread growth failures in 1990s

Increased poverty and unemployment

World's most unequal continent

So-called 'shift to the left' in recent years

Case study focus on economic sustainability of Nlism

Case study 1: Argentina

Late 1980s crisis

Currency pegged to the US dollar ('convertibility')

Rapid & widespread privatisations

Modest growth 1992-1996, then recession

Return to foreign borrowing (1996-2001)

Increases in unemployment, poverty

Minimal new investments

The (last) economic crisis: 2001/2

Capital flight, 'corralito', insurrection

5 Presidents in 2 weeks

Debt default = \$US155 billion

Official unemployment 25%; poverty 50%+

Jan 2002 emergency legislation

- Abandonment of peso-dollar parity
- Utility prices frozen; contract 'renegotiation'

Argentina since 2002

Collapse of the IMF-led creditors cartel

Export-led recovery

Average 8% growth since 2003

Fiscal surplus

Popular support for anti-neoliberal rhetoric

Return to price controls and political deals

Case study 2: Bolivia

2nd poorest country after Haiti in the Americas

‘Structural Adjustment’ starting mid-1980s...

...1990s liberalisation & privatisation

Oil and Gas investment, main export earner

Highly exposed to commodity price volatility

Case study 2: Bolivia

Privatisation led to minimal revenues for the state

Little or no distribution of wealth

Environmental damage + no social progress

History of popular protest and resistance

Water privatisation protests and 'gas wars'

Rise of the 'new left' – Evo Morales 2005

Suggested reading: introductory

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