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Neoliberalism and the Collapse of Social Justice in the West

The political philosophy of neoliberalism became the dominant force in international relations in the early 1990s. Following the loan requirements of the International Monetary Fund (IMF) and the World Bank, developing economies across the world took the course of diminishing or repealing welfare state institutions to the detriment of social security and economic opportunities of the most impoverished social groups. Despite the recent development that featured a restructuring of several international free trade organizations, a Brexit crisis, and a global wave of populism, the current political order remains recognizably neoliberal. In hindsight, the neoliberal turn in nation-state economies has appeared incompatible with the core tenets of social justice. Neoliberal reforms adopted by western nation-states deprive citizens of essential rights and social securities without providing economies of developing countries a chance to close the wealth gap with the leading economies of the world.

In western countries, the becoming of the neoliberal social order closely relates to the 1973 oil crisis as well as the rise of neoconservatism in the U.S. and the U.K. The rejection of the model post-World War II welfare state was considered an economic necessity by the late

1970s. Both the U.S. and the U.K. entered an in-depth crisis in which the sustenance of economic benefits to vulnerable groups and the public management of industries and services played a significant role. The crisis of the welfare state also occurred in Europe, which gradually accommodated to conditions of free trade within the European Economic Community. The same destabilizing process reached its culmination in Latin America, a majorly Socialist region, where widespread political corruption and regular military overthrows became a routine. Each of the aforementioned countries was a welfare state, at least on paper. By the late 1970s, the social contract of countries ranging from Western Germany to Chili featured an extensive package of unemployment benefits, educational aid, the universal or partial state coverage of healthcare, and labor laws protecting women and minorities. However, the 1973 oil crisis revealed the lack of resilience in each welfare system mentioned.

In the context of the late 1970s crisis and its aftermath, a pivot to fiscal conservatism and laissez-faire ideology inevitably became an option. As put by MacNaughton and Frey, “Augusto Pinochet, Margaret Thatcher, and then Ronald Reagan spearheaded sweeping reforms that defined the neoliberal policy package designed to promote unfettered competition in the private market” (6). The political ideology crystallized during this conservative turn and international institutions founded within it empowered the 1990s rise of neoliberalism. The policy framework chosen by Thatcher and Reagan governments was globalized by the IMF, the World Bank, and the World Trade Organization (WTO) right after a radical expansion of their global influence in a post-Cold War global market. What became known as ‘neoliberalism’ was a course to the

fiscally conservative laissez-faire policy that included the restructuring of government involvement in the free market, the shrinking of the relative size of the state budget, the repealing of protectionist trade tariffs, and the minimizing of requirements for labor migration. In parallel, the IMF, the WTO, and the World Bank promoted the neoliberal system as a package of requirements for the provision of international aid and long-term developmental credits for nation-states. Also, these organizations viewed the system as the securitization of loans and a beneficial practice for global development.

The neoliberal political framework, often called the Washington Consensus, by the place of emergence of the standard reform package proposed to loaners by the IMF and the World Bank, replaced a social-justice-centered framework of macro-political goals that were based on the UN Declaration of Human Rights. As viewed by Joseph Stiglitz, a Nobel Prize-winning economist and one of the most consistent critics of neoliberalism from a progressivist standpoint, the values proposed by the Washington Consensus appeared incompatible with the moral value of equality of opportunity. Namely, one of the most unfortunate social outcomes of neoliberalism was a steady growth of wealth inequality in every country that cooperated with the IMF and the World Bank. Stiglitz claims that “Sometimes, there are lose-lose policies, policies for which there is little if any gain in growth but a significant increase in inequality. For many countries, capital market liberalization represents an example” (201). An increasing inequality, a lack of

proper social and political protections for the most vulnerable social groups, and other factors opened a chasm of discontent with the social unfairness of neoliberal consensus.

Regularly, proponents of neoliberalism cite the data on overall economic growth in terms of GDP and the increase in the quantity of emerging small and medium businesses as a line of defense for their political positions. According to Casey, the discontent with growing wealth inequality obscures the fact that neoliberal economies often showcase a steady wealth growth for all strata of citizens; for instance, in the United States, the median household income for middle-class and low-income families increased 34% from the 1970s to the 1990s (Casey 7). The wealth statistics are impressive, yet it discounts the technological progress that boosted the value of products that could be purchased in the year 1970 compared to that in the late 1990s.

Similar dynamics are present in developed countries, while impoverished countries have been experiencing an unprecedented decline in absolute poverty for the last 50 years. The level of absolute poverty, as recorded by the World Bank, was established at an unbelievably low level of \$1 equivalent in PPP \$1 to \$1.75 per day, corrected annually in accordance with the purchasing-power-parity index (Klasen 45). Nevertheless, the fact that from 1970 to 2010 more than 80% of people ascended over it proves the general benefits the neoliberal scheme of global development had on the world. One can observe comparable changes in relation to multiple other poverty indices, including relative poverty, world hunger, and global illiteracy.

In terms of economic soundness and the validity of research methodologies, the positions neoliberalism defenders have are highly debatable. Even more, social justice-minded critics of neoliberalism claim that the cases of the opposing party completely miss the point of criticism. Firstly, the data on absolute poverty does not bear any correlation to the comparative equality of opportunity within the economic strata of society (MacNaughton and Fray 8). The equality of wealth tends to be a much stronger indicator of whether a society provides a fair chance of wealth accumulation for every citizen. Secondly, the method of analysis adopted by the World Bank does not tackle the issue of group-based inequalities within society, including groups based on immutable characteristics like ethnicity, gender, religion, and others (Klasen 47). The laissez-faire system deprives the government of the financial and institutional means of creating an equal playing field for diverse groups within society and thus leads to the cementation of historical injustices and institutional disparities.

Finally, the same effects of an unequal start that led to group-based inequality emerge on an international level, as the rules of deregulated free trade leave developing countries with few opportunities of jumpstarting their economic growth. In an interdependent world of the free flow of capital and labor, a rich country accumulates financial power and technological know-how as developing countries have little-to-no means to incentivize its labor force, entrepreneurs, and inventors to invest time and resources into the local economy (Stiglitz 14). The culmination of the outcomes of the neoliberal economic framework can be observed in EU countries like Romania and Poland. Despite constant financial support the countries receive from Brussels, the

outcomes of joining the EU rules for freedom of movement and investment led to massive labor migration from the country as well as to a 'brain drain' of investment startups and technological innovations. Currently, the two counties count among the five most fragile economies in the EU, with no prospects for short-term recovery.

To conclude, the neoliberal project turned out to be detrimental to the causes of social justice due to the demolition of the 1970s welfare states and the effects of free advantage accumulation on the laissez-faire market in neoliberal domestic markets as well as the global market. Neoliberalism boosted inequality of wealth internationally, allowing powerful financial interests to shape deregulation policies in a way that was beneficial to themselves. Moreover, the natural outcome of the free movement of capital and labor led to natural structural barriers for underdeveloped countries. As a result, despite apparent successes of neoliberalism in reducing absolute poverty on a global level and reviving nation-states from the burden of social programs, the Washington Consensus ended up making the world riskier and more unfair.

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