

employees and those ministries which are concerned with exclusively national problems such as unemployment (for example, labour ministries). 'Organic ideas', part of this hegemonic project, are concepts like national security, territorial sovereignty and a mercantilist stress on strategic industries. A further possibility is the rise of a counter-hegemonic bloc, based on developing countries with the target of independent development, and incorporating political, feminist and environmental movements in the industrialized countries. So far, the transnational historic bloc seems to be in the strongest position, but the final outcome is the result of an open-ended class struggle.

See also:

hegemony, bloc

References and further reading

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Collection of articles dealing with theoretical and empirical issues of IPE from a neo-Gramscian perspective.

ANDREAS BIELER

neo-liberalism

As it has evolved over time, the term 'neo-liberalism' is usually used by economists to refer to the economic policies pioneered by Chile in the 1970s. Subsequently these reforms spread through most of Latin America in the 1980s and to other parts of the developing world in the late 1980s and early 1990s. In this sense, neo-liberalism emphasizes a policy mix stressing a greater role for the market in the allocation of resources, a much reduced role for the state and increasing integration in the world economy. Unfortunately, in Latin America and many other nations, neo-liberalism has come to represent the 'evil of all evils' and to be held responsible for all problems by people who have no clear notion or definition of what neo-liberalism really is.

The literature reflects these two differing views towards the neo-liberal reforms. One side considers the structural reforms inspired by neo-liberalism to be the quintessence of good economic policy, while the other considers this model a disaster, involving excessively high costs, especially measured in terms of the suffering imposed on groups unable to protect themselves from market forces.

The intellectual foundations of modern neo-liberalism stem largely from the writings during the 1950s and 1960s of FRIEDRICH VON HAYEK and MILTON FRIEDMAN. In large part, Hayek and Friedman were responding to the emergence (and subsequent predominance) of Keynesianism in Western capitalist societies and to the socialism that evolved in the former Soviet Union, China and many other nations following World War II.

In the eyes of the neo-liberals, the triumph of democracy and markets over authoritarianism and statist economies was combined with efforts to promote open economies and open

policies stressing the necessity of thoroughgoing economic reforms supporting export-led industrialization policies.

For development economists, the rise of the East Asian economies – vindicating the liberal prescriptions of market-oriented policies and participation in the world economy – made obsolete policies drawn from state-interventionist theories and protectionism. New growth trajectories stressing the importance of export-led development became widely accepted as an integral part of the neo-liberal ideas inspiring economic and political changes in the world. Moreover, the downfall of communism in Eastern Europe and the collapse of the apartheid regime in South Africa can be depicted as the supreme examples of ill-fated attempts to sustain economic growth within a closed economy.

In the Latin American case, the initiation of this new development model was due to a combination of various factors: first, the external DEBT CRISIS gave rise to heavy macro-economic imbalances and the subsequent stagnation that was characteristic of the 1980s; second, although the progress which accompanied the IMPORT SUBSTITUTION INDUSTRIALIZATION (ISI) strategy was on a scale without precedent in the region, in the mid-1970s this model began to give sharply decreasing yields which were reflected in the stagnation of total factor productivity; third, theoretical and empirical criticisms of state interventionism began to be levelled in the North and were taken up by Latin American neo-liberal circles, which attacked such interventionism not only because of its alleged inefficiency, but also for trying to create a modern WELFARE STATE on the basis of a weak economic structure.

The neo-liberal core is based on three important concepts: (1) imperfect information, (2) individual freedom and (3) the market.

1 *Imperfect information.* Neo-liberals contend that because individuals, in general, and society as a whole have imperfect information about past and present developments and events, any strategy attempting to plan

or make policies is irrational and doomed to fail (Hayek). However, neo-liberalism goes further, pointing out that any attempt to plan or construct a society that attempts to go beyond these natural restrictions is dangerous for the existing social order.

- 2 *Individual freedom.* Neo-liberalism is based on the freedom of individuals to seek to maximize their preferences and on the primacy of private ownership of property. This apparently natural behaviour is particularly important from an economic viewpoint because it leads to political freedom. Thus, individual economic freedom is the basis for any civilized society and is a direct response to totalitarianism or to any form of economic planning.
- 3 *The market.* The market is the principal economic and social institution within which individuals adjust their preferences according to price signals, in spite of restrictions on the available information. Hayek and Friedman are aware of the market's limitations, since perfect competition, individual freedom and private ownership, as well as instantaneous price adjustments, depend on perfect information. The concept of 'market' thus becomes utopic and yet is dogmatically defended by the neo-liberal against any form of planning or state intervention.

Baer and Maloney (1997) note that while numerous economic policies have been encompassed under the rubric of neo-liberalism, in actual practice it is often difficult to separate macro-economic adjustment policies from liberalization measures. With this caveat in mind, they list the main components of neo-liberalism as: (1) fiscal adjustment, (2) privatization, (3) decontrolling and/or adjusting prices, (4) decontrol of the financial sector, (5) trade liberalization, (6) incentives to foreign investments, (7) social security reform and (8) labour market reform.

- 1 *Fiscal adjustment.* In the Latin American context, this was achieved largely through reductions in subsidies and tax reforms.
- 2 *Privatization.* Since the world depression of

the 1930s, Latin American governments had increased their presence in their economies through the founding of state enterprises in heavy industries, through the expansion of petroleum and other mineral resources, and in public utilities, banking and even some consumer goods industries. Although this presence might have contributed to the industrialization and growth of some of these economies in the region, by the 1970s and 1980s many state enterprises had become loss-making operations due largely to inefficiency. Beginning at the end of the 1980s, most of the region's governments were convinced or persuaded by their creditors that, in order to achieve a fiscal adjustment and to improve the efficiency of the economy, a substantial portion of public sector enterprises should be privatized. With neo-liberal reforms, privatization is usually accompanied by an increased emphasis on private property rights.

3 *Decontrolling and/or adjusting prices.* For many decades, Latin American governments controlled many types of prices – such as public utilities, basic food products and some industrial products – as instruments of income distribution or as a way to decrease inflationary pressures. The net effect of these controls was to distort the allocation of resources, turn many firms in the affected sectors into loss-makers requiring government subsidies and, in some sectors, to discourage investment. The neo-liberal agenda was to either free prices totally or to readjust prices of the controlled sectors so as to provide firms with a positive rate of return. In a similar spirit, the vast overvaluations of the exchange rate were to be avoided in favour of rates that would encourage integration with the rest of the world.

4 *Decontrol of the financial sector.* Controlled interest rates, often negative in real terms, allocative quotas for bank loans and forced bank holdings of government debt discouraged savings and distorted the allocation of scarce capital resources. Ending 'financial repression' implied greater market allocation of investment resources and often the

liberalization of controls on external capital flows.

5 *Trade liberalization.* Most Latin American countries had retained the high levels of protection which were instituted as part of the promotion of their ISI programmes of the 1950s and 1960s. In addition to the standard inefficiencies arising from tariffs and quotas, these regimes pushed countries away from developing in line with innate COMPARATIVE ADVANTAGE, shielded industries from healthy external competitive forces and gave rise to RENT-SEEKING opportunities.

6 *Incentives to foreign investments.* After the 1982 Mexican debt default (see MEXICAN PESO CRISIS), most countries of the region experienced a drastic decline in private investment, a shortage of fiscal resources for the expansion of state enterprises and the increased obsolescence of their industrial technology. Following Chile's lead, many opened their entire economy to foreign investment, including such formerly closed sectors as telecommunications, petroleum, power generation and distribution, and so on, frequently through DEBT-EQUITY SWAPS.

7 *Social security reform.* The traditional pay-as-you-go social security systems in Latin America were generally vastly underfunded and constituted a major, although hidden, component of government debt. Again, in 1980 Chile led the way to establishing private, competitive pension funds where workers held individualized accounts that reflected their accumulated contributions.

8 *Labour market reform.* The labour-protection system embodied in many Latin American constitutions is thought to have led to excessively rigid labour markets that were ill-adapted to competition in a competitive, global economy. Under neo-liberal reforms, Chile's military government disbanded unions and repealed minimum-wage laws.

Neo-liberals in Latin America are firmly convinced that, with few exceptions, the set of measures referred to above is both a necessary

and sufficient condition for growth and also for equity. They maintain that if this model fails to give the desired results, this is due to rigidities derived from the interventions of economic policy and institutions.

In contrast, neo-structuralists and other critics of the neo-liberal agenda attribute poor economic performance to flaws in key markets (that is, rigidities, segmentation and gaps in those same factor markets), so that they question whether that set of measures *will* automatically result in growth, let alone equity. They therefore call for state intervention to correct these critical flaws and claim that the notable success of the **NEWLY INDUSTRIALIZED COUNTRIES (NICs)** in Asia, in terms of both growth and equity, is due precisely to such interventions.

To critics, the neo-liberal reforms have simply resulted in one of the following: (1) the rationalization of economic production and distribution on a global scale along the lines of comparative advantage and vast corporate **ECONOMIES OF SCALE**; (2) the maximization of the rate of return (that is, profit) on invested capital for transnational banks and corporations and tier stockholders. The costs of these programmes are reflected in one or (usually) more of the following:

- 1 increased concentration of wealth in the hands of the very rich;
- 2 increased unemployment and underemployment;
- 3 wages that remain low for those who still have jobs, even as workforce productivity increases;
- 4 decreased power of trade unions under the pressure of economic globalization;
- 5 increased crime as more people become economically marginalized;
- 6 increased numbers of police and prisons to combat the increase in crime;
- 7 an erosion of civil liberties;
- 8 increased homelessness and street begging;
- 9 an erosion of civil liberties;
- 10 rural depopulation as small farmers are put out of business by corporate agribusiness which, with free trade, can take full advantage of its economies of scale;

- 11 armed resistance by traditional cultures put under economic siege;
- 12 increased immigration to more economically developed countries by those who no longer have land to work and/or cannot find work in the cities;
- 13 an increasingly irrelevant political system that is unable and/or unwilling to start a genuine, democratic debate because it is controlled by interlocking corporate interests that have the most to gain from the status quo
- 14 an alarming decrease in social solidarity.

Ramos (1997) suggests that another way of looking at the neo-liberal reforms is to note that, although in general terms the reforms make sense in the long run, there have been serious technical errors in their application, because the local neo-liberals idealize the market and seem to attribute to it the capacity to adjust rapidly, automatically and effectively to any kind of disturbance or policy change. Yet another approach is taken by advocates who, while recognizing there have been costs due to the neo-liberal approach in terms of distribution, contend that (based on experience) most of the reforms could be effected without regressive costs if applied judiciously and accompanied by additional measures to avoid or relieve distributive problems.

More pragmatically, Taylor (1992) finds that there are examples of success and failures of both neo-liberal and heterodox political initiatives. The problem is how to invent and sequence policy changes that will be effective in each economy's historical and institutional contest.

See also:

deregulation; liberalization; neo-classical economics

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America', *World Development* 25, 3 (March): 311–27.

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neo-Malthusianism

The concept of 'neo-Malthusianism' is an extension of the writings on population by THOMAS MALTHUS (1766–1834), who argued that uncurbed POPULATION GROWTH would outstrip the world's capacity for food production on the basis of population increasing in a geometrical ratio while subsistence increases only in an arithmetical ratio.

Malthus' ideas became globally known through the influence of the British Empire. It was combined with Charles Darwin's views of the survival of the fittest to form neo-Malthusianism. The extrapolation of Darwin's survival of the fittest to human societies permitted a novel twist in Malthusian thought – namely, that overpopulation was a vehicle of progress.

This neo-Malthusianism had an empirical application in the British imperial famine policy in India: British policy-makers felt that the famine must be due to insufficient agricultural production and that the population surplus should be removed by emigration or death. In the 1960s and 1970s a new wave of neo-Malthusianism was triggered by the publication of Paul Ehrlich's *The Population Bomb*, which argued that the population in developing countries needed to be curbed in the interest of the planet as a whole.

It is generally accepted that Malthus was mistaken in his views of human reproduction, as his simple model overlooked cultural fac-

tors. In addition, he miscalculated the human ability to increase agricultural yields through better TECHNOLOGY. For example, according to the FOOD AND AGRICULTURE ORGANIZATION (FAO) of the United Nations (UN), less than half of the world's potential arable land was under cultivation in the mid-1980s and the land in agricultural use could produce food for the whole world population even without the use of intensive farming methods.

However, the issue of population growth remains highly contested, as demonstrated by the recent UN Population Summit. A key feature of all neo-Malthusian thought is its conceptualization of population growth as an independent variable influencing society and the environment. However, a historical approach to global population growth reveals that demographic changes occur as the result of major changes in social organization. The industrial and scientific revolutions have resulted in dramatically increased population growth since 1750. These developments were, however, matched by steadily increasing agricultural yields.

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GABRIELA KÜTTING

neo-Marxism

The term 'neo-Marxism' refers to a body of theory that has in common the use of parts of the conceptual apparatus of theories drawn from the work of KARL MARX. 'Neo-Marxism' is, however, both a very broad term and a contentious one. It is broad because it can be used to categorize a range of theorists: from those who wish to adopt explicitly some of the theoretical apparatus provided by Marx, through to those whose main connection with Marx might be a normative or moral concern for those excluded from the benefits of global CAPITALISM. It is a contentious term because it