

The Neoliberal Turn

Political Economy in the New Millennium

Week 9

2013

University of Wollongong

- Last week we considered the oil shocks and the origins of the 'third world' debt.
- System of ongoing petrodollar recycling begins.
- Mexico is the first of many to be unable to service its debt and needs to borrow more just to service what it already owes!
- IMF enters to help private bankers get their money back from states by attaching 'conditions' to new loans.
- Debt is a technology of power: states are reconfigured in the process.

Review

- The other 9/11
 - The Chicago Boys go to Chile
- 1989 The Washington Consensus
- Globalization:
 - The Curtains come Down
- Capital Mobility and Structural Power
- Authoritarian neoliberalism?

Agenda

- Salvador Allende elected President of Chile in 1970.
- By 9/11 1973, a US sponsored coup had deposed the Chilean Government.
- The 'left' is viciously attacked and people disappeared.
- Chicago boys advise on a new economic plan to liberalize the Chilean economy.

The Other 9/11

- Background: Capital Account Liberalization
- The term originates with the work of John Williamson in 1989
- Ten Policy Prescriptions (7 most important here)
 - Fiscal Responsibility
 - Broaden the tax base and reduce marginal rates
 - Privatization of state enterprises
 - Trade liberalization
 - Protect Property Rights
 - Liberalize Foreign Direct Investment Regimes
 - Deregulate the economy

1989 Washington Consensus

- Definition:
 - Globalization reflects the widespread perception that the world is rapidly being molded into a shared social space by economic and technological forces and that developments in one region of the world can have profound consequences for the life chances of individuals or communities on the other side of the globe. It is the widening, deepening, and speeding up of worldwide interconnectedness in all aspects of contemporary life.

**Globalization:
Curtains Come Down**

- The fall of the Iron and Bamboo curtain added 1.5 billion workers to the global labour force.
- Combined with capital mobility = downward pressure on wages and standards (e.g.: safety, environmental).
- We now have a global labour force of about 3.3 billion people.

The Curtains come Down

- Mobility of capital means greater competition among states to attract it.
- The promotion of an investment climate
- Branding the state
- Bond rating agencies

CAPITAL MOBILITY AND STRUCTURAL POWER

- A situation where dominant groups are less interested in neutralizing resistance and dissent via concessions and forms of compromise that maintain their hegemony, favouring instead the explicit exclusion and marginalization of subordinate groups.
- Crisis of legitimacy to continue?

Authoritarian Neoliberalism