

Global Tragedies of Neoliberalism: *Lessons worth Critical Learning*

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The Premise

In this 21st century we are in, searching for the minimum requirements for human well-being is depressing, because it leads to more and more frightening conditions along the temporal and spatial pathways. Nations that were self-sustaining, but **weak** and **fragile**, yesterday are today joining the class of **failed** nations by the numbers; these failed nations are generating and sending **shockwaves** of destabilizing forces to their neighbours – **imagine consequences of the forces from the rough neighbourhood of Ethiopia**; the ongoing exodus of humans out of their homelands has become beyond the generous carrying capacity of the host countries, like Italy; multinational corporations have seized control of the global economy and the instruments of political power by weakening and emasculating national governments of the poor nations to serve their lust for excessive wealth through the so called free-market economic mechanisms of neoliberalism; these same corporations are devouring global natural resources by destroying bio-ecological systems (disturbing the balance of Nature) irreversibly; overproduction for and overconsumption of the rich are making the natural environment uninhabitable: earthquakes, tsunamis, volcanic eruptions, hurricanes, tornadoes, floods, droughts, famines, civil conflicts, wildfires, poverty, and disease epidemics demonstrate dramatically that our planet Earth is at risk; the predicaments of inequality between the rich and the poor have reached at dangerous thresholds, the tipping points, of ecological, social, economic, and political stability (equilibrium), which might lead to unprecedented-disastrous revolutions that will benefit no one; and, finally, the global marketplace for lethal weapons (“weapons of mass destruction”, to borrow U.S. President, George Bush’s term) is rapidly expanding for the citizens of the poor countries to purchase and destroy one another, while the corporations that produce those weapons maximize profit and enrich their respective countries. But, it appears now that the rich countries have realized that amassed material wealth is useless **in a hostile world**. Thus, equitable distribution of the global wealth to usher in peace, stability, and prosperity for all is imperative more than ever before.

We are in a dangerous world that requires immediate collective action of all stakeholders. Focusing on our own predicaments, the need for unity and vigilance to protect the Motherland, Ethiopia, is an urgent matter. Hoping to enhance our awareness, regarding the global geopolitical intrigues being played, I describe some of the key characteristics, the historic follies and fallacies, of neoliberalism as follows. In closing, I highlight the current Ethiopian scene.

Follies and Fallacies

For the hurried general reader, characterizing neoliberalism at the outset is in order. Neoclassical economists, the architects of neoliberalism, invoke the theoretical fundamentals of neoclassical micro- and macro-economics. What are the required conditions for the ideal-

neoclassical perfectly competitive market structure to occur? Two categories out of the long list of unrealistically presumed conditions are: (1) relegation of national governments – particularly those of poor nations – to the duties of macroeconomic stabilization, protection of economic and political freedoms and private property rights of individuals, and opening up the domestic marketplace for competition to promote free market economic globalization; and (2) prohibition of government ownership of productive sectors of the economy, arguing that it (government ownership on behalf of citizens) causes market distortions. Based on these and similar conditions imposed on poor nations, neoclassical economic growth models are constructed and applied to generate empirical results that are used for policy recommendations. Multinational corporations, operating under the precepts of neoliberalism, externalize (pass on to the public) social costs and ecological damages associated with their own operations. Governments of poor countries that require financial support for **genuine sustainable development** are often pressured to create an environment of economic **laissez-faire** (i.e., let them do as they choose freely) by: (i) opening up and liberalize their domestic markets for multinational corporations; (ii) devaluing their currencies; (iii) removing subsidies, although necessary to develop and manage essential infrastructures, (iv) privatizing key sectors of the national economies (e.g., the financial, telecommunication, and energy sectors); (v) removing any policy instrument intended to monitor, evaluate, control, and stabilize market prices; and (vi) implementing strict austerity measures (freezing wage rates increases, reducing government spending for social and economic infrastructures, thriftiness, frugality, in the financial sector)

Depending on prevailing conditions, more restrictions are imposed on governments of the poor nations not to intervene in the workings of free market economies. Some governments of these poor countries are sometimes advised to apply **economic shock therapy**. Jeffrey Sachs, who these days wears different hats (red, grey, blue), used this term to ensure radical changes in Russia, when he was an advisor to Boris Yeltsin, after the collapse of the Soviet Union. To suit his assignment, he (Sachs) changed Milton Friedman's term, **shock policy** to **economic shock therapy**. Friedman coined **shock policy** for Chile (more to come on the Chilean tragedy). Both terms aim at the same policy targets, **which are to suddenly**: (a) release price and currency controls, (b) withdraw state subsidies, (c) liberalize trade (allowing multinational corporations to enter domestic markets), and (d) privatize key sectors of national economies of the poor countries. All these and similar economic policy instruments were and are being designed by economists of the **Washington Consensus** apparatus, the IMF and World Bank. So, here you have it. This is neoliberalism in a nutshell. Observe its follies and fallacies.

The Evidences

For those who might be interested in reading more about the current global injustices, it is a pleasure to let you know that there is an extensive modern literature elsewhere. For starters, I highlight three books here: First, *Wages of Rebellion: The Moral Imperative of Revolt* (2015), by the renowned American journalist, Chris Hedges. Drawing on an ambitious overview of prominent philosophers, historians, literary figures, and his own personal experiences as an international journalist, Chris shows not only the harbingers (signals) of a coming crisis but also

the nascent (emerging) seeds of rebellion. His message is clear: popular uprisings across the globe are inevitable in the face of ecological destruction, environmental pollution, wealth polarization, and chronic poverty traps the world is witnessing. He considers fighting against unfettered economic growth that enriches American-corporate elite, which accounts only 1% of the more than 300 million American citizens, is a moral imperative. Chris Hedges' credentials are numerous. For example, in 2002 he was awarded the Pulitzer Prize for his coverage on global terrorism. He has taught at Columbia University, New York University, Princeton University, and the University of Toronto, Canada. He is an author of extensively read twelve books.

Second, *The Price of Inequality: How today's Divided Society Endangers Our Future* (2012), by Prof. Joseph E. Stiglitz, winner of the Nobel Prize for *Economic Sciences*. This book is described as a forceful argument against America's growing vicious circle of inequality. America's current level of income inequality is described as at historic levels not seen since before the Great Depression. In the boom years before the financial crisis of 2008, the top 1% seized more than 65% of the gain in total national income. In 2010, as America struggled to emerge from the deep recession, the 1% gained 93% of the additional income created in the so called recovery. As those at the top continued to enjoy the healthcare, education, and all the benefits of wealth, they often fail to realize that "their fate is bound up with how the other 99% live", Stiglitz laments the injustices. Thus, a way out of the current great disparity sooner than later will save America from more serious social unrest than that the country is currently witnessing in various states.

The third book worth reading is Naomi Klein's book, *The Shock Doctrine: The Rise of Disaster Capitalism* (2007). Naomi is an award winning journalist, author, filmmaker, and highly admired Canadian activist. She chronicles decades of disasters caused by neoliberalism socioeconomic and political mechanisms designed by ultra-right wing economists, such as Milton Friedman of Chicago University's Department of Economics. Her extensively researched documentation includes disastrous *coup-d'état* in Latin America and Asia; the national crime of the corrupt sale of Russia's state economy to oligarchs following the collapse of the Soviet Union (crafted by Jeffrey Sachs and Co.); the social and economic deprivations associated with the privatization of New Orleans's public schools after Hurricane Katrina; and the seizure of wrecked fishing villages by resort developers after the Asian tsunami. Likening **free-market economic shock therapies** to **electroshock tortures**, Naomi exposes the misdeeds and disasters of right-wing dictatorships. From Naomi's narration, I have chosen the tragic case of Chile as a model to expand the evil deeds of neoliberalism. Some cautionary remarks pertaining to the current climate of Ethiopian's politics are provided in the final section.

A Country Case: the Chilean Tragedy

Eradicating any **democratic developmental state** in the South was an ultimate goal of the CIA in the 1950s, 1960s, and 1970s. For example, officials of the CIA, USAID, NED (National

Endowment for Democracy)¹ and a network of other secret agencies, along with right-wing professors of neoclassical economics, the mother of neoliberalism, at the Chicago University's Department of Economics, led by Milton Friedman, crafted a strategy to overthrow Salvador Allende, who won the democratic elections of 1970. Allende's election platform was to put into government hands large sectors of the economy that were owned by American multinational corporations. Allende was a new breed Latin American revolutionary. Like Che Guevara, he was a medical doctor and a fierce democrat. He believed that socialist change in Chile needed to come through the ballot box, not the barrel of a gun. Allende was described as an orator equal to Fidel Castro.

When President Nixon heard that Allende had been elected president, he used a famous phrase, "let the economy scream" when he ordered the CIA director, Richard Helms, to devise a strategic way to remove Allende at any cost. Nixon's anger did not come as a surprise, because by 1968, 20% of total foreign investment of the USA was tied up in Latin America; American corporations had 5,436 subsidiaries in that subcontinent; and these corporations were making staggering profits. For example, mining corporations that invested only \$1 billion over the previous years in Chile's copper mining industry – the largest in the world – sent back home (to Mother America) \$7.2 billion. America was not going to give up this huge source of wealth at her backyard.

Thus, through well-coordinated counterrevolutionary acts, military *coup d'état*, the democratically elected president, Salvador Allende and his supporters, were massacred at the National Palace on September 11, 1973, while resisting arrest. August Pinochet, who had full control of the army, navy, marines, and police ordered the massacre under the watchful eyes of the CIA. It was a tragedy committed by national forces that were expected to protect the Chilean people and their democratically elected government.

The so called **economic shock therapy**, a recipe that was duplicated in Latin America and elsewhere, including in Iraq, spewed its poisonous **shocks** in three ways: (1) the military coup sent shock waves throughout Chile, as planned; (2) Milton Friedman's **capitalist shock treatment**, a technique for which hundreds of Latin American economists had been trained at the Chicago University's Department of Economics to work in their respective countries as Friedman's and his colleagues disciples, created a lot of economic mess and expanded the inequality gap in many Latin American countries; and (3) the third **shock**, which is even more shocking, a manual for drug and sensory deprivation interrogation methods, codified as **Torture Techniques in the Kubark**, was crafted and published by the CIA; and was distributed through extensive CIA training programs for Latin American police and military. In *The Shock Doctrine*:

¹ The NED is a U.S. non-profit organization that was founded in 1983 to promote democracy abroad. It is funded primarily through an annual allocation from U.S. Congress in the form of a grant awarded through the United States Information Agency (USIA). This allocation comes from within the budget of USAID. In addition to its grants program, NED also supports and houses the *Journal of Democracy*, the World Movement for Democracy, the International Forum for Democratic Studies, the Reagan-Fascell Fellowship Program, the Network of Democracy Research Institutes, and the Center for International Media Assistance.

The Rise of Disaster Capitalism (referred above), Naomi Klein articulate this crime very well by providing substantial evidence.

Tragedies of the Pinochet Era²: As was the case in Ethiopia during the Mengistu Hailemariam's era, Pinochet's new military government implemented harsh measures against its perceived opponents. Various reports and investigations reported that between 1,200 and 3,200 people were killed, up to 80,000 people were interned and as many as 30,000 were tortured. Designed by the *Chicago University Boys*, the Latino disciples of Milton Friedman and colleagues, the military junta declared *laissez-faire*, a perfectly competitive free-market economy, including currency devaluation, tariff cutting, opening Chile's markets to global trade, restricting labor unions, privatizing social security, and the privatization of hundreds of state-controlled industries. These policies dramatically increased Chile's *predicaments of inequality*.

To extend his years of dictatorship, Pinochet's 17-year rule was given a legal framework through a controversial 1980 plebiscite, which approved a new Constitution drafted by a commission appointed by his government. In a 1988 plebiscite 56% voted against Pinochet's continuing as president, which led to democratic elections for the Presidency and Congress. After stepping down in 1990, Pinochet continued to serve as Commander-in-Chief of the Chilean Army until 10 March 1998, when he retired and became a senator-for-life in accordance with his 1980 Constitution. However, Pinochet was arrested under an international arrest warrant on a visit to London on 10 October 1998 in connection with the numerous crimes he committed. Following a legal battle he was released on grounds of ill-health, and returned to Chile in March 2000. In 2004, Chilean Judge Juan Guzmán Tapia ruled that Pinochet was medically fit to stand trial and placed him under house arrest. By the time of his death on 10 December 2006, about 300 criminal charges were still pending against him in Chile for numerous crimes against humanity during his 17-year rule and for tax evasion and embezzlement; he was accused of having corruptly amassed at least US\$28 million.

Human Induced Dangerous World

As highlighted in the introduction, by all social, economic, political, and environmental symptoms, our world of this 21st century has become extremely dangerous. This generation of humanity is witnessing slaughter of human beings by human beings. This is cruelty of this century that will be in history books for eternity. What happened? Who created the highest level of anger that drove the human beings, the ISIS, to that level of cruelty? What are the root causes? It will take several books to answer these questions. But, it is obvious to many that external forces, with long-term motives for geopolitical spheres of influence, are cynically creating dangerous social environment characterized by: fatalism, cynicism, defeatism, disenfranchisement, institutional rigidity, chronic corruption, loss of community-based social capital, hopelessness, chronic poverty traps, and social conflicts. To meet their goals, they (the external forces) hire *Doomsday* (the *Last Day of Judgement*) messengers. These are well

² **Source:** http://en.wikipedia.org/wiki/Augusto_Pinochet, accessed on 13 May 2015

indoctrinated self-serving intellectuals who originate in those countries (review the previous paragraphs on Chile).

Many nation states that were *weak* and *fragile* are now *failed* states; and the number is increasing daily. Resulting from greed, the likelihood of social, economic, political, and ecological catastrophes converging to trigger breakdown of more nations cannot be ruled out. The current humanitarian tragedies in Somalia, Libya, Syria, Iraq, South Sudan, Afghanistan, Ukraine, Yemen, and elsewhere in the world must be solved now! The methods for solving them don't require a rocket scientist's knowledge; just eliminate inequality and abject poverty through good governance.

The Ethiopian Scene

With a 2014 population of approximately 97,970,452 (increased from 2013's estimate of 95,045,679), Ethiopia is the second largest country in the continent of Africa³, after Nigeria. This population estimate is based on the most recent United Nations projections. Possessing untapped highly productive labor force of a young generation, a huge wealth of natural resources, and a glorious history Ethiopia's future should be bright. The country is regarded as the Mother of Africa's freedom. But, abject poverty has become enemy number one that must be defeated and be eradicated from the Ethiopian landscape.

In Ethiopia, like in any other poor country, poverty is a multifaceted deprivation. Persistent poverty is a trap manifested through the horrors of: (i) lack of sufficient basic needs (food, shelter, clothing, sanitation, clean-drinking water, and energy); (ii) susceptibility to various diseases; (iii) inaccessible social infrastructure (e.g., law of the land, healthcare, education, information, and financial credit markets); (iv) lack social capital for collective voice and action; (v) lack of knowledge capital (capacity) to manage the life sustaining multiple services of ecosystems; (vi) an absolute submission to higher political, social, and economic elites; (vii) extreme vulnerability to the risks associated with sudden climatic, political, and social changes; and (viii) utter insecurity in the face of changing circumstances that put life at risk.

Consequently, poor households are trapped in poverty. The trap perpetuates its grip from generation to generation, through self-reinforcing positive feedback loop, until effective measures of good governance policy instruments break the vicious cycle. Officially, the current Ethiopian, the EPRDF, government has declared war against poverty. But, by its own admission, it (the EPRDF) has serious problems associated with its governance, characterized by chronic corruption. Governance is a process of allocating scarce-productive resources. The following conditions can be considered as guiding principles of a **good governance**: (i) rule of law (no one is above the law of the land), (ii) accountability (demonstrating one's actions), (iii) transparency (free flow of information), (iv) responsiveness to society's preferences, aspirations, and expectations, (v) participatory (collective) decision-making, (vi) equity in rights and benefits,

³ Ethiopia Population 2014, *World Population Review 2014 of the UN*. Retrieved from: <http://worldpopulationreview.com/countries/ethiopia-population/>

(vii) strategic vision for the long-run outlook of socioeconomic and political climate, and (viii) personal honesty rooted in strong nationalism. Violation of even one of these principles is an impediment to genuine sustainable development (GSD). GSD is a process by which human well-being is improved dynamically in an inclusive, a just, and an environmentally safe operating space. To free Ethiopia from the grips of poverty trap, our collective effort is required.

May this year's elections usher in unity, peace, stability, and prosperity for all Ethiopians to enjoy!

******End******