

Rethinking Neo-Liberalism

Stagnating wages and growing inequality will soon threaten the stability of contemporary liberal democracies and dethrone democratic ideology as it is now understood. What is needed is a new populist ideology that offers a realistic path to healthy middle-class societies and robust democracies.

The above quotation is an abstract from Francis Fukuyama's recent article, *The Future of History: Can Liberal Democracy Survive the Decline of the Middle Class?*, which appeared in *Foreign Affairs* magazine published in February 2012 by an influential American think tank Council on Foreign Relations. We have already introduced Fukuyama as one of the most influential intellectuals today (<http://www.aigaforum.com/articles/francis-on-democracy.php>). His 1992 book argued that the decline of communism coinciding with the spread of the "third wave" of democratization and market reforms across the world signified "the end of history", or the end of ideological rivalries that shaped 20th century history. In this latest and his recent writings, Fukuyama acknowledges the failure of decades of democratization efforts in many countries to bring about improvements in people's lives, because democratization processes are influenced by dominant economic and political interest groups.

Whether Fukuyama's notion of the "future of history" signifies a revision of his previous (1992) thesis of "end of history" - that the battle of ideologies was over - does not concern us here. True, there could be essays written to ask whether he was wrong in the first place to suggest that the rise of neo-liberalism in the 1990s had represented the end of history. Our interest here is in knowing what he thinks of the future. If liberal democracy is the "default ideology today", what is the alternative? He suggests, first, the need to ensure that political governance is articulated around broader public interests so that there is "more redistribution (of wealth) and ... a realistic route to ending interest groups' domination of politics". Second, governments should direct market forces, not with an intention to promote "old-fashioned socialism" or, say, Chinese style state capitalism, but to help societies adjust to economic and technological changes, as well as support global trade and investment activities. Fukuyama calls for a populist approach that combines ideas from the political left and right, but he adds that this populists approach should be "detached from the agenda of marginalized groups that constitute the existing progressive movements". He is concerned that progressive movements may not be able to provide a realistic policy path to economic growth and democracy. For instance, the political left has not gone beyond unleashing an ideological rhetoric of utopian socialism, or advocacy groups have done nothing more than naming and shaming governments and corporations on public policy issues.

In the 1990s, it felt good to be an opposition party, since such a party was perceived to be the guardian and defender of neo-liberal values (democracy and free market economy) under an authoritarian regime. Since then opposition elites have had a chance to seize state power, but they ended up doing little to improve conditions in societies or some even left power after amassing wealth. While many countries spent decades trying to structure and restructure neo-liberal states, some countries got down to a series business of economic planning, and succeeded

in lifting their citizens out of poverty. It is the experience of the group of those successful countries that has built a momentum for a heated debate on the relevance of neo-liberalism as international development ideology.

The recent literature attempts to make a distinction between “democracy” and “good governance”, terms that were previously used interchangeably under neo-liberalism during the design of programs of political reform, market reform, judicial reform, state decentralization, civil society and media development, and so on. Democracy is understood as a political process involving elections, functioning of parliaments, media, civil society and rule of law. Governance, on the other hand, focuses on normative and functional issues at many levels of society (e.g., state, community and household) and its propagators aspire to support the development of systems, practices, processes, procedures, etc., that create institutional structures and processes within which citizens participate in decision-making processes and are enabled to get equal access to development benefits. Clearly, democracy and good governance still remain overlapping concepts, yet this distinction demonstrates an effort to recognize that procedural democracy (multiparty election) alone is not a condition for human development. The best example is Indonesia which is ranked by Freedom House “partially free” (sort of democratic) and Singapore which is ranked “not free” (authoritarian). But, the quality of life is far superior in Singapore (#26 on the UN human development index) than in Indonesia (#124), which means that Malaysia is well-governed than Indonesia. Which (democracy or governance) should come first (as a priority) would still produce a philosophical and policy debate, the best option being the development of both simultaneously.

The recent years have witnessed liberal Western governments calling for the regulation of the free market economy including overseeing incentive structures (executive bonuses), financial transactions and investment portfolio management approaches. There is actually an emerging debate on how to reform capitalism and Fukuyama’s call for increased government role in the direction of market forces might have ensued from this. Western governments have also passed laws that restrict individual liberties in order to ensure safety and security for their citizens. Britain recently introduced the toughest law yet to restrict access to online information to ensure its youngest citizens are not exposed to the wrong kind of information, such as “Jihad” against Christians. Compromising individual liberties (the foundation of neo-liberalism) for broader public interests is perhaps one of the most important milestones of changing Western societies in recent history.

In Africa, too, there are new trends. For instance, international investors see the continent as the new (or last) frontier where they can make good profits. It is now widely understood in many international circles that Africans have become increasingly interested in learning from the experiences of China, South Korea, Singapore and other countries that have achieved middle income status without deepening income inequalities. However, many rightly allege that the tendency by African governments to look to emerging powers like China (away from Western influences) can encourage corrupt and dictatorial regimes to stay in power and impede

democratization processes. This may be true. Yet, given that liberal democracy has continued to allow state capture by elites, it does not appear to provide a good alternative for African masses, at least from our experience in the past two decades.

All these are important trends that point to the change of thinking in neo-liberal discourse which in turn results in the change of current paradigms of policy-making. Gone are the days when elites branded their political programs as “democratic” and then set about to convince Western donors and civil society groups that they are democratic actors in need of financial and diplomatic support (this does not refer to the Arab Spring where external support played a decisive role). Today there is much more scrutiny of such political organizations in order to ensure that they are committed to embracing policy ideas and approaches that promote development goals. In the words of Fukuyama, “ideas do not become powerful unless they speak to the concerns of large numbers of ordinary people. Liberal democracy is the default ideology around much of the world today in part because it responds to and is facilitated by certain socioeconomic structures”. Poverty issues can surface on political party arena if the people who make up that party have a vision of development and a commitment to working towards meeting the needs of ordinary people.

Maybe there isn't anything new in our discussion here, you may wonder. After all, Prime Minister Meles Zenawi has continued to object the grand propagation of neo-liberalism in Africa, referring to the neo-liberal state as a “night watchman state” whose role has been reduced to protecting private property and enforcing contractual agreements. Or, the traditional left, feminists, rights activists and others, especially those in developing countries, who have continued to challenge neo-liberalism arguing that it is simply an extension of libertarian (individualistic) ideology from the West, to be applied in societies where collective rights are embedded in many forms of socio-economic relationships. Or, many development scholars who still persist to argue that the presence of strong and effective state is a necessary condition for development, since a strong state capacity is needed to direct socio-economic development. Nor do we follow Fukuyama whose attention is focused on the decline of the American middle class, and that, in line with Aristotelian thinking, he is worried that liberal democracy may not be sustained without the support of this class. All these are possible considerations.

Our main purpose here is to relate the implications for a poor and developing country like Ethiopia. Ethiopia has undergone market and political liberalization since the 1990. This liberalization has given rise for the emergence of diverse political groups, each of which continue trying to prove that one is more liberal or democrat than the other, just as the different political groups of the 1970s that competed and fought to destroy each other. It is also interesting that the same 1970s political generation dominates the public and political arenas in today's Ethiopian society, except that this time everybody is a liberal or democrat. The ruling party has remained loyal to its pro-rural revolutionary democracy ideology while adopting flexible development planning models that have produced results. However, opposition political parties have remained divided and fragmented. At one time they preach politics articulated around the

centralized, exploitive and oppressive political models of the past. At the other time they unleash a rhetoric of Western liberalism (free press, freedom of speech, freedom of association, freedom of worship, free elections, etc.) and use this to focus on criticizing the ruling party on violation of rights. This can actually be a legitimate politics. The question is what all this mean to tens of millions of poor and hungry Ethiopians. Do the masses care about freedom of speech or free media, for example?

Ethiopian political discourse should focus on broader societal issues. And Ethiopian opposition parties should move away from opposition to proposition (developing ideas that complement existing government policies and programs). Many of the elites in the Ethiopian opposition, especially the old guard elites, appear to have acquired the culture of opposition politics in the West (Democrats vs Republicans in the US, for example), but they have failed to realized that those opposing forces in American politics have built their support from bottom up. They should then get out of Addis Ababa and interact with the masses. This will enable them to understand real societal issues and propose alternative social and economic policies that build on the results of EPRDF's policies and programs.

You might have heard Ethiopian school teachers and government workers complaining that rural people could afford to drink beer and other beverages in restaurants while they struggled to have ends met (because of urban inflation). Or merchants complaining that overcrowding in mini-buses was caused by rural people who were too lazy to walk. In both cases, rural people had economic power (thanks to favourable government policies) and were using that power to access the benefits of modern facilities and services. Yet, what Fukuyama calls "certain socioeconomic structures" wanted to ensure that the mass of peasants were at the very bottom of Ethiopian social strata and not compete with the urban middle class for economic opportunities. Ethiopia needs a strong and determined national leadership to transform the reactionary culture of the urban middle class - that tries to flourish under neo-liberalism- and ensure the development of institutional capacity and other conditions for equitable and inclusive development.

Intellectuals have the capacity to reason and think, and they do this by observing and analyzing societal phenomena. In this regard, one appreciates people like Francis Fukuyama who have recognized changing national and international societies, economies and polities, and the need to rethink the relevance and effectiveness of present paradigms of policy-making. This compares with our own intellectuals who still remain preoccupied with preaching politics that reflects the political sentiments of the past blended with neo-liberalism ("human rights", "democracy", etc.). The man, Meles Zenawi, whom this group of intellectuals predicted would fail, has now led Ethiopia to development, climb the ladder to international influence, built a reputation as good communicator and has become buddies with world renowned economists, philanthropists and politicians. In spite of this, these dismayed and angry intellectuals often go too far to wage a personal attack against Meles and almost everybody and everything identified with him. This is unfortunate and it should stop.

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