

Characterizing Neoliberalism: *A Bird's Eye View on Ethiopia's Predicaments*

Mogos Abraham, PhD
Centre for Middle Eastern Studies
03 Dec. 2019

Egotism, National Treason, and Ignorance: a Mix of Dangerous Behavioral Elements

Egotism is dangerous. It is revealed through the practice of talking and thinking about oneself excessively, because of an undue sense of self-importance. If he is not fettered immediately, egoistic personality, treasonous behavior, ignorance, and illegal acts of Abiy Ahmed Ali (hereafter Mr. Ali), the so called Prime Minister, are leading Ethiopia to social, economic, and political tragedies. I watched and heard Mr. Ali on TV declaring formation of a brand new political party called Prosperity Party (PP), which replaces the ruling Ethiopian Revolutionary Democratic Front (EPRDF). According to Mr. Ali the PP is expected to swallow and assimilate all political parties of the regional states to form a unitary government. Mr. Ali dreams to rule Ethiopia from the Imperial Palace, as did **Emperor Haile Selassie King of Kings the Elect of God from the Tribe of Judah** (believe it or not this was his official title). The Emperor's henchmen, the puppets, governed the then fourteen Ethiopian provinces in accordance with the feudalistic doctrines of the Monarchy. The stringent institutions (Imperial rules and regulations) included Amharic as the only constitutionally enshrined national language to be used in schools, courts, simple-civic contractual agreements between individuals and communities, etc. The Emperor had an absolute power to veto, a constitutional right to reject decisions or proposals of the Parliament. This absolute authority included constitutional right to dissolve (i.e., closing down and dismissing) the national Parliament. This is what is called an *absolute aristocratic monarchism*. This was the main reason why Ethiopia had to suffer from a chronic poverty revealed through failed agricultural sector, famine, starvation, civil conflicts, etc.

Similarly, the egotistical, Mr. Ali, who dreams to be Ethiopia's 7th King to fulfil his mother's prophecy (his claim) is working hard to destroy EPRDF. This is the Front, the EPRDF that ushered in the **Golden-27 Years** of relative peace and miraculous economic performance under extremely challenging circumstances that were created by internal and external saboteurs, including Mr. Ali, who served the external enemies as an internally-hired spy. What is more admirable is that that economic miracle was achieved under those difficult circumstances and was approved and admired by the World Bank, the International Monetary Fund, the African Development Bank, and many other international organizations. Ethiopia was heading to be an African economic tiger, like the Asian tigers (e.g., S. Korea).

To fulfil his dream of being the 7th King, Mr Ali has started hiring his own henchmen; and opening regional offices for the PP, starting with the State of Oromia. What is funnier and laughable is to know that Mr. Ali dreams to govern Ethiopia in accordance with the **doctrine of neoliberalism**, which means **laissez-faire**, an absolutely wide open free market national economy. This is exactly what the external forces, the enemies of Ethiopia, wanted Mr. Ali to do for them¹ (listen this historic audio report, in the endnote). Imagine what will happen to all Ethiopian micro-, small, and medium enterprises (MSMEs) when **Walmart** opens supermarkets in Addis, Mekelle, Bahir-Dar, and other cities. They will be driven out of business, because they cannot compete with the global giant. For the fiscal year ended January 31, 2019, **Walmart's** total revenue was \$514.4 billion².

Ethiopia's enemies are scrambling for geopolitical sphere of influence in the Horn of Africa by making sure that China will not have any influential foothold in that continental region. The ultimate goal is to make sure that the Ethiopian market of more than 110 million people (a huge African market and highly productive, but cheap, workforce of a young generation) is wide open for American multinational corporations, such as **Walmart**, to play all the economic and political games freely. The modern strategy of the Imperialist forces is hiring political puppets (hired guns), like Mr. Ali, to play instrumental roles in

building neoliberalism, the mother of inequity, instability, poverty, and civil conflicts (e.g., Yemen, Syria, Afghanistan, and Iraq).

In short, Mr. Ali's acts are based on his personalities and acts of egotism, national treason, and an absolute ignorance; and these are dangerous attributes that might put Ethiopia in tragedies of protracted inter-regional civil wars. Ethiopia's nations, nationalities, and peoples will never allow an assimilative governance system of the dead imperial era. In this piece, I use key, but simple, socioeconomic and political terms and concepts to comparatively characterize two developmental pathways: (i) neoliberalism and (ii) revolutionary developmental state. My goal is to trigger (stimulate) honest and open intellectual discussions³.

Follies of Neoliberalism

Neoclassical welfare economic theory, **the mother of neoliberalism**, asserts that the market mechanism is an effective device for allocating scarce resources through the Adam Smith's "invisible hand". Adam Smith's postulation, which allegedly creates demand and supply equilibrium, is expected to be mediated by *rational behaviors* of economic agents of production and consumption, who are profit and utility maximizers, respectively. Note that the so called perfectly competitive market structure, the *laissez-faire*, is assumed – blindly believed – to function under the following stringent principles (assumed conditions):

- 1) A national government is relegated to the duties of macroeconomic stabilization, protection of economic and political freedoms and private property rights and leaving the domestic marketplace wide open for competition in order to foster free market economic globalization.
- 2) Government ownership of productive sectors of the economy results in market distortions, hence not permitted.
- 3) In a free-market economy, economic agents possess complete knowledge of the marketplace, i.e., no *information asymmetry* exists.
- 4) Rational producers and consumers, maximizing profits and utilities, respectively, allocate scarce resources effectively and efficiently.
- 5) Positive or negative externalities are ruled out.
- 6) Firms are free to either enter or exit industries.
- 7) Existence of collusive strategies of producers to create *oligopolies* and/or *monopolies* to erect market barriers that enable them to earn *supernormal profits* (net earnings that exceed all opportunity costs) compared to *normal profits* (minimum net earnings that cover opportunity costs to induce the firm to remain in operation) are masked intentionally.
- 8) Numerous producers and consumers of a given product operate in the marketplace, where neither of them is capable to influence workings of the demand and supply market forces.
- 9) Individual persons, firms, and households are price takers, i.e., neither has power to influence market prices.
- 10) Homogeneous technologies produce homogeneous products (e.g., fish, oil, gas, lumber, paper, computers, guns, etc.) for the marketplace.
- 11) Human ingenuity creates national wealth in perpetuity, through inventions, innovations, diffusion, and adoption of new technologies, coupled with *learning-by-doing*.

Relying on these unrealistically assumed conditional principles, neoclassical economics, **the mother of neoliberalism**, neglects the adverse effects of risk and uncertainties on the market dependent economy (e.g., the 2007-2008 financial meltdown, which created global socioeconomic crises); and of large scale overproduction distribution, exchange, consumption of market commodities on quality of the natural environment and human wellbeing. Most importantly, the inevitable *failure* of the so called competitive market and the predicaments of *inequality* are not the concern of neoliberalism. Governed by those blind assumptions, neoclassical economic growth models are constructed and applied to generate empirical results used for policy making. One thing must be clear. Saturation of domestic markets due to overproduction (oversupply) compels profit maximizing corporations operating in capitalist economies to look for foreign markets with the help of their respective governments.

What is disturbing is to know that some of the economists who adhere to the intricacies of the neoclassical economic growth models are winners of the *Nobel Prize for Economic Sciences*. Take for instance, Milton Friedman, who won the *Nobel Prize for Economic Sciences* in 1976, when he was a *guru* of neoliberal economic theory at the Chicago University School of Economics. He was an advisor to the Chilean dictator, General Augusto Pinochet. Friedman, in his book, *Capitalism and Freedom*, Friedman asserts that under perfectly competitive market-based capitalism, free-innate human nature determines economic outcomes. These outcomes, he claims, are necessary conditions for political freedom and, thereby, wellbeing of humanity. This is the *crux* of the contradictions of neoliberalism, which Milton Friedman prescribed for General Augusto Pinochet's Chile (1973-1990), an era of the Chilean tragedy.

Pinochet's dictatorship was established after the **democratically-elected socialist government of Salvador Allende** was overthrown in a coup d'état on 11 September 1973, with the help of the CIA. Pinochet's regime was characterized by systematic suppression of political parties and the persecution of dissidents to an extent unprecedented in the history of Chile. Overall, the regime left hundreds of thousands dead or missing; tortured tens of thousands of prisoners; and drove an estimated 200,000 Chileans into exile. The millions of internally displaced persons (IDPs) of Chileans, similar to those Ethiopians who are still suffering from internal displacement, were not accounted for.

Keep in mind that the socioeconomic prescriptive rules (strategic policies) of neoliberalism are privatization, deregulation, and liberalization of national economies by implementing neoliberal institutions that establish a widely open free marketplace, where **multinational corporations play the economic, social, and political games**. The above highlighted eleven principles (assumed necessary conditions) should be enough to convince ourselves that the so called perfectly competitive market structure is an **absolute abstraction** that cannot exist under any circumstances. Neoliberalism is an absolute oxymoron, because of the following seven conditions – among many others – created by its own institutions (absence of checks and balances) violate the requirements for it to function effectively for the benefits of all citizens:

- 1) *Monopolies and oligopolies*: Collusively established monopolistic and oligopolistic corporations that erect barriers to entry reap *supernormal profits*.
- 2) *Imbalance of market power*: Asymmetry of information, meaning one economic agent possessing information on the market another agent does not possess, creates imbalance of market power.
- 3) *Public goods*: The market does not have a place in allocating *public goods*, which are *non-rival* in consumption (open for everyone to use) and *nonexcludable* in sharing benefits (impossible to exclude others from sharing in the benefits of goods and services). For example, mitigation of the adverse effects of climate change, vaccination against an epidemic, the life sustaining multiple services of ecosystems (e.g., clean air and water, regulating climatic extremes, and detoxification of air, water, and soils), and provision of national security are *pure public goods*. The social benefits of these and similar services that maintain human wellbeing cannot be captured by the market demand and supply price mechanism.
- 4) *Imperfection of the labor market*: The prevalence of unemployment, demonstrating labor supply exceeding demand at prevailing wage rates, reveals the imperfections of the labor market in the neoliberal corporate world.
- 5) *Frequent economic crises*: Neoclassical macroeconomic policies of neoliberalism, which advocate for free and openly globalized competitive markets, are often doomed to failure. Frequent financial meltdowns (e.g., the 2007-2008 crisis), recessions, depressions, which are often accompanied by massive unemployment, are symptomatic of pervasive market failures.
- 6) *Anthropogenic externalities*: These are adverse effects of one economic agent's activities (production, consumption, or combination of both) on another agent's economic activities or livelihoods in general. Such adversities are intractable in the marketplace, because of: (a) potential interdependence

between economic agents, (b) lack of or weak property rights, and (c) the prohibitive nature of *transaction costs* (see below).

- 7) *Transaction costs*: In any social, economic, and governance interactions, transaction costs are incurred. They include all sorts of cost items, such as: market research, bargaining, monitoring, evaluating, enforcing, contractual agreements, defining and assigning property rights, brokerage commissions, etc.

Clearly, therefore, all these seven and similar socioeconomic circumstances call for enforceable institutions of a national government. Responsibilities shared between a national government and the private sectors are necessary conditions for an economy to generate benefits for all citizens. Hence, a call for a revolutionary developmental state is warranted.

Imperatives of a Revolutionary Developmental State

In stark contrast to the dysfunctional political governance **system** of neoliberalism, the well-known effective political governance system of a *revolutionary developmental state* is characterized by the following key principles:

- Personal dedication to serve own people with honesty, personal integrity, and professionalism, i.e., **servicing own people above self, the revolutionary mindset**
- Upholding the primacy of *rule-of-law*
- Responsiveness to society's preferences, aspirations, and expectations
- Accountability (ability to demonstrate and explain one's actions)
- Transparency (free flow of information) in all operational and managerial activities
- Deliberative and participatory decision making, involving all stakeholders
- Horizontally and vertically integrated, coherent, policies implemented through effective institutional configurations
- Devolution of power to local community-based development organizations
- Gender equity in sharing decision-making power
- Effectiveness and efficiency in allocating scarce resources
- Strategic vision for the long-run socioeconomic and political outlook
- Equity in rights, obligations, benefits, and costs

These, and others one might suggest, are cardinal rules. Collectively, they form a *sacrosanct* code of an effective political governance system of an RDS, which aims at wellbeing of all citizens.

Some Key Metrics of Human Wellbeing

Unlike in neoliberalism, in an RDS socioeconomic and political system, human wellbeing means *availability, accessibility, and sustainability* of the following essential conditions for all citizens:

- The *essentials of life*: food, shelter, clothing, safe drinking water, energy, monetary income, livelihood material assets, health, and education
- Personal involvement in productive work and leisure activities
- Universal suffrage for an effective political good governance system
- Social connections and relationships, i.e., strong social capital
- Best quality of social and natural environments to live in
- Constitutionally enshrined and enforced primacy of the **rule-of-law**
- Ability to enjoy all the flows and the stocks of the services of ecosystems
- Capacity to cope with and to mitigate the adverse effects of natural and human-induced disasters (e.g., drought, famine, and civil conflicts)

Closing Remarks

Let me close this piece with some retrospectives. From the late 1970s, to the early years of 2000, a series of global economic crises occurred. They included unexpected jump of oil price; multiple economic depressions, and stagflation (monetary inflation without growth of industrial output and employment opportunities). Impacts of these fiscal and economic crises on the economies of the poor countries were disastrous. Consequently, national policymakers of these poor countries were compelled to accept *neoliberal* preconditions prescribed by experts of the International Monetary Fund and World Bank in

order to qualify for new financial loans and/or lower interest rates on existing loans. Their prescriptions were called Structural Adjustment Policies (SAPs). The poor countries, most of them African, were asked to enter into legally binding contractual preconditions. They included the following *economic strings* that eventually benefit American and European multinational corporations:

- Cut public expenditures; adopt strict policies of *austerity*; meaning reduce expenditures on development projects, such as healthcare, education, and infrastructure.
- Orient national-economic output on direct export of unprocessed natural resource and agricultural products, such as: logs or lumber, diamond, copper, gold, cotton, flowers, cocoa, coffee, and soybean.
- Devalue national currency.
- Liberalize market by lifting all import and export restrictions.
- Stabilize investment climate to encourage foreign direct investment (FDI) by opening the domestic market.
- Adopt balanced budget policy, deficit free economy.
- Remove price controls and public subsidies.
- Privatize and/or sell all or part of state-owned enterprises: *a push to divestitures* i.e., disinvestment process, which is a disastrous macroeconomic policy.
- Secure rights of foreign investors, vis-à-vis national laws.
- Ensure good governance that allows profit maximizing multinational corporations to operate freely in the domestic economies of the poor countries.

Adding these imposed legally binding contracts to the above highlighted structure of the capitalist-free market economy yield the dangerous characteristics of neoliberalism, the mother of national instability, poverty, and sociopolitical instability (e.g., Yemen, Syria, Somalia, Afghanistan, Iraq, etc.). This is why Meles Zenawi, the genius Prime Minister, the true nationalist revolutionary, argued against all preconditions of neoliberalism successfully. His theoretically and practically sound philosophy known as **democratic developmental state (DDS)** won him global admiration. Under his leadership Ethiopia was in peace with itself; all Ethiopians had felt more secure and were filled with optimism; the economy was characterized as an African tiger; poverty was reduced significantly nationwide; Ethiopia's global image of respect was restored; and Ethiopia was expected by many experts to reach at a **middle income status** (e.g., S. Korea) by 2025. That is why, Professor Joseph E. Stiglitz, who advised the World Bank for several years and winner of the Nobel Prize for Economic Sciences, described Meles as "one of the brilliant leaders of the 21st Century"; and the renowned political science intellectual, Dr. Susan Rice eulogized Meles as "... **a world class mind; uncommonly wise, able to see the big picture and the long game**".⁴ But, the sudden death of Meles shattered Ethiopians' hope for peace and prosperity tragically.

Where is Ethiopia now? All nationalist intellectuals and politicians have obligations to free their motherland from the current tragic circumstances. Ethiopia's social, economic, and political sovereignty must be respected and protected. Genuine sustainable development (GSD) must be fostered. I define GSD as improvements in human wellbeing in an *inclusive, just, and safe* operating space.

Endnotes

¹ <http://aigaforum.com/>, accessed on 29 Nov. 2019.

² Walmart: <https://corporate.walmart.com/newsroom/company-facts>, accessed on 01 Dec. 2019.

³This piece draws on a scientific article: *Frontiers of the Biosphere Inhibit Perpetual Economic Growth: Exploring Pathways to Genuine Sustainable Development*, published in the *Journal of Environmental and Social Sciences* (2016), 3(2): 125; available at: <https://cfs.nrcan.gc.ca/publications?id=38034>, accessed on 27 Nov. 2019

⁴<https://www.bbc.com/news/av/world-africa-19454803/meles-zenawi-susan-rice-pays-tribute-to-ethiopia-s-leader>, accessed on 02 Dec. 2019.