

**SEPTEMBER 11: THE END OF NEO-LIBERAL
FUNDAMENTALISM**

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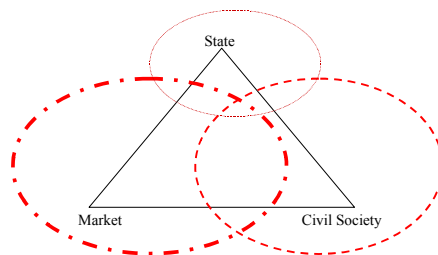
SEPTEMBER 11: THE END OF NEO-LIBERAL FUNDAMENTALISM

The view that the business environment in Asia, or elsewhere, can operate according to neoliberal fundamentalism was changed forever by the September 11, 2001 attacks on New York and Washington.

Neoliberalism proposes action in **accordance with material structural incentives**.¹ Fundamentalism is the strict maintenance of ancient or fundamental doctrines². Neoliberal fundamentalism is therefore action which advocates strict maintenance of the doctrine that actions should accord with material structural incentives, or economic self-interest.

Those who carried out the attacks may have rationalised their reasons for doing so, but those reasons were not founded in the economic interests of the perpetrators. Similarly, whatever roles al Qaeda and Osamar bin Laden had, no evidence has emerged that they were motivated to advance their economic interests or any other material structural incentives. They appear to have been zealots inspired by fundamentalist interpretations of religious doctrine, although able to attract some sympathy from a wider audience within the same faith.

It is important to recall that societies consist of three fundamental components that are overlapping, interactive and interdependent.



Relationships between State, Market and Civil Society

The external anti-terrorist response has been a curious mix that heralds a changed environment for business in Asia and beyond. The military response has been predictable, but is accompanied by a push for a much broader approach.

The internal US response has shown an embrace of community by the rational individuals who once peopled New York and an abandonment of neoliberal economic policy by government. As Pollin put it “The bombing calamity has finally made increased government spending politically respectable. On September 14, Congress committed \$US40 billion [\$81.2 billion] for disaster relief, reconstruction, increased transport security and countering terrorism...(as a) ‘minimal downpayment’ in the words of the Senate Majority Leader.”³

Money has swamped needs that may or may not have arisen from the attacks, new powers have been created and central government control has been asserted over deregulated airline functions. The withdrawal of the State from intervention in the market has been reversed. Broome has pointed out that cutting off the money trail used by terrorists runs contrary to the resistance to central government that has been so much a feature of US and particularly neo-liberal ideology^{4, 5}.

Externally, it is seen that it is fanaticism, not loyalty, driving terrorists. The sources of this fanaticism are not defined by religion or race, nor by the wealth of the home country. Almost all Moslems condemn terrorism, as do most Arabs and Afghans. Saudi Arabia has extra-ordinary riches, yet it has spawned a high proportion of the suspects.

Terrorism finds succour and festers where communities feel denied the fundamental democratic rights proclaimed by leading members of the coalition against terrorism. The countries of origin of the suspects have invariably been those in which political leadership is not contestable, dissenting views are ruthlessly suppressed and the ordinary people learn that there is only one way of reform – violence.

A realisation has emerged that a democratic culture, the rule of law, fairness and other features of good governance are the only long term solutions to the conditions which lend succour to terrorist activities. This push is coming principally from Europe. The Foreign Minister of USA's strongest ally, the UK's Jack Straw,

“has declared that the US-led military action against Afghanistan must be proportionate and in line with international law. It should also be aimed at relieving the suffering of the people of Afghanistan and securing the stability of the region.”⁶

Prime Minister Blair said

“But what is the lesson of the financial markets, climate change, international terrorism, nuclear proliferation or world trade? It is that our self-interest and our mutual interests are today inextricably woven together.

....

The issue is how we use the power of community to combine it with justice. If globalisation works only for the benefit of the few, then it will fail and will deserve to fail. But if we follow the principles that have served us so well at home - that power, wealth and opportunity must be in the hands of the many, not the few - if we make that our guiding light for the global economy, then it will be a force for good and an international movement that we should take pride in leading.

... this is a fight for freedom. And I want to make it a fight for justice too. Justice not only to punish the guilty. But justice to bring those same values of democracy and freedom to people round the world. And I mean: freedom, not only in the narrow sense of personal liberty but in the broader sense of each individual having the economic and social freedom to develop their potential to the full. That is what community means, founded on the equal worth of all. The starving, the wretched, the dispossessed, the ignorant, those living in want and squalor from the deserts of Northern Africa to the slums of Gaza, to the mountain ranges of Afghanistan: they too are our cause.⁷

The head of the Organisation for Security and Cooperation in Europe (OSCE) committing it to “addressing the root causes, by making use of all necessary partnerships and co-operative action”.⁸ These root causes do not rely on neoliberal fundamentalism. They are the antithesis of it.

There are several key factors involved that have major implications for business in Asia.

Firstly, what are the people seeking? Seventy percent (70%) of the population would prefer the gap between the rich and the poor to get smaller rather than that overall wealth would grow as quickly as possible⁹. That Australian figure is entirely consistent with the observations of myself and a colleague when we have asked adults across a wide range of national and cultural backgrounds to make a similar choice¹⁰. Yet, neoliberal fundamentalism is based on acceptance of the obverse view which is held by only 30% of people.

This desire for equity within societies is mirrored in the cry of the poorer countries for equity in international trade. In the lead-up to the forthcoming WTO meeting, it is reported that the Group of 77 (*now 133 members!*) has “demanded the right to obtain affordable medicines, fundamental reforms to agricultural subsidy programs and a bigger say in designing international trade rules”¹¹.

There are other factors which also often fail to reach the neoliberal agenda even though a broad understanding of self-interest might suggest that they should. These include ecologically sustainable development and environmental protection, improved education and curbing corruption.

SAFEGUARDING THE ENVIRONMENT

There are those within both the developed world and the developing world who see issues like safeguarding the environment as a cover for protectionism¹² or some other form of economic burden. This neoliberal fundamentalist view rejects both the intrinsic values that communities see in protecting the natural environment and the long term benefits of doing so. The perspective is shortsighted and devoid of long term analysis. A number of studies have now shown that environmental protection does not derogate from economic growth and indeed may have a positive correlation¹³.

Cleaning up polluting industry and transport often results in greater technical efficiency, capture and re-use of wasted resources and reductions in health effects and other burdens estimated at up to 10% of GDP¹⁴.

How often do we hear these advantages being advocated by business?

EDUCATION

Blair spoke of “freedom ... in the broader sense of each individual having the economic and social freedom to develop their potential to the full.”¹⁵ This sentiment reflects Sen’s conception of development as freedom¹⁶. Sen argues persuasively that the most effective objectives for national development are those orientated to capacity building which enhances people’s abilities to fulfil their own lives and contribute to their society. Chief amongst these are democratic governance and improved levels of health and education.

Improved literacy and educational achievement do not produce rapid direct financial returns but the long term benefits to the community are undeniable. Such programs do not accord with neoliberal fundamentalism, yet the benefits to business from public investment in education are stunning.

Similarly, education is recognised as a key long-term factor in countering terrorism. Indeed, Rupert Murdoch believes that “the spread of knowledge across the globe (is) the only long-term answer to eradicating terrorism”¹⁷. This is another rebuttal of neoliberal fundamentalism.

CURBING CORRUPTION

Last year, corruption cost the Philippines government US\$47m a year according to the World Bank. “Traditionally, government contracts and appointments are used to buy votes and to reward campaign funding and loyalty,” the Report said¹⁸.

Sadly, the Philippines’ experience is all too common across Asia. The Transparency International “Global Corruption Report 2001”¹⁹ has very many Asian nations listed in the bottom half of its Corruption Perception Index for 91 countries. The findings are summarized in the Table; on a composite score, 10 is the best possible result.

Table: Corruption in Asia

Country rank	Country	2001 CPI score	OECD Convention ratified & legislated
3	New Zealand	9.4	X
5	Singapore	9.2	
11	Australia	8.5	X
14	Hong Kong	7.9	
21	Japan	7.1	X
27	Taiwan	5.9	
36	Malaysia	5.0	
41	South Korea	4.2	X
58	China	3.5	
62	Thailand	3.2	
66	Philippines	2.9	
72	India	2.7	
75	Vietnam	2.6	
80	Pakistan	2.3	
88	Indonesia	1.9	
91	Bangladesh	0.4	

Source: Global Corruption Report 2001 pp.198, 234-236

The OECD has made concerted efforts to stamp out corruption and has adopted a Convention intended to stop businesses bribing foreign public officials directly or indirectly in order to obtain or retain international business. The provisions of the Convention are intended to complement national laws outlawing bribery domestically. It does not seem to have direct application to taking effective action against domestic corruption.

Any effort to seriously bolster good governance as part of measures to tackle the root causes of terrorism must involve dealing with domestic corruption in Asian countries.

Corruption is a major factor in the poor performance of most of the larger Asian countries. Whilst corruption occurs within the public sector, such as buying appointments and promotions, a large part of it involves business seeking favourable decisions. These actions may be rational short-term neoliberal behaviour for the individual business, but they have appalling effects for the business sector generally and for the nation, especially over the long term.

By recognizing the immense social and indirect business costs of corruption, reforms have the potential to dramatically change entrenched business cultures restricting Asia's progress.

Collectively, the desirable measures that may flow from September 11 and the war on terrorism constitute a strong rebuttal of neoliberal fundamentalism. The world has a unique opportunity to support those committed to redressing the corruption of governance that allows frustration, anger and a sense of hopelessness to fester, leaving people with no-one to support but those who preach hatred and violence against their perceived oppressors.

It will be difficult for USA not to accept this more sophisticated view of the necessary response being pursued by Europe and the developing world.

Neoliberal fundamentalism that has driven so much public policy affecting business has suffered a dramatic reversal. That is not to suggest that there has been nothing to learn from neoliberal theory. It is to suggest that its fundamentalism is set to be supplanted by more balanced understandings of mankind, society and business in Asia and beyond. In this environment, business in Asia can expect greater attention by domestic governments and the world community to democratic practices, ecologically sustainable development, upgraded public health and education programs and stronger attacks on corruption.

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