

Neoliberalism Bows to COVID 19: A Critical Analysis

*By: Henry Murigi**

Neoliberalism is a good theory that weaved through the international development landscape and introduced a new way of thinking about trade, economy, and politics. Neoliberalism arose as a reaction and objection to the Keynesian theory of macroeconomics by John Maynard Keynes who advocated for a welfare society in which the State took care all aspects of society (Keynes, 1973). The main contention was the Keynesian theory did not have a clear analysis of the household and the realities the welfare state intended. The Keynesian theory was challenged mainly by Martin Freedman who argued that free markets were the panacea to development. Freedman analyzed the disparity between average consumption vis a vis income and that people would modify their spending based on available and disposable income (Friedman, 2018). In addition, Freedman argued that the coercive power of a state was immoral (Kay, 2009). This argument can be taken further by theory of justice that advocated for individual liberty to determine their fate (Rawls, 1971).

Neoliberalism thrives on several assumptions that can be used to explain the international development. The assumptions, in brief, include (1) a strong argument for the removal of state control in the economy (2) allowing privatization of previously owned state institution thereby terminating the state enterprise (3) decreasing of government spending and employment to allow attractive rates in the private sector (4) use of infrastructure as a factor of production (5) charging of user fees for social services and removal of subsidy from state organizations. The invisible hand of the market is given prominence and importance. It is hoped that with these assumption in mind then development will be a private enterprise and it will lead to development². This

* **Henry Kinyanjui Murigi, PhD Student of International Relations at USIU-Africa, M.A Peace and Conflict Management (Hons) Kenyatta University Post Grad Diploma in Law Kenya School of law LL. B (Hons) Kampala International University.**

² This paper acknowledges the difficulty in defining development. Development thinking can be traced from the period following the age of enlightenment when human

theory has become critical in the post cold war era influencing behavior of governments towards markets. The force of neoliberalism has been so great that it has literally increased the growth of the private sector and reduced market regulation.

These are great ideas that have been subject to debate and discussions, however, three arguments touching on neoliberalism are critical. First when carefully examined neoliberalism is a threat to the rule of law and democracy. Second that in the original position advanced by John Rawls, there is no potential for clash in economic ideology since the allocating and distributing arm of the State cater for the welfare of society. In other words, the choice should not be between two evils (free markets or government regulations), instead the choice is dictated by the common good such as universality of human rights. Third neoliberalism has affected every feature of life including education, and social life. These three reasons show that this theory although relevant does not explain fully the complex situation in Africa.

Even with these challenges, COVID-19 has introduced a different reality that the world should contend with. Neoliberalism had its fault lines including being a threat to the rule of law (Ngugi, 2005), promoting inequality in the society through markets (Rawls, 1971) (Sachs, 2015) and it was too ambitious in its attempt to affect all aspects of life (Marber, 2005). This paper makes three arguments. First, what seems to be fault lines or cracks in neoliberalism as a theory have been burst wide open by the global pandemic COVID-19. Here we suggest that was neoliberalism strong enough its tenets would have withstood the test by the pandemic. Second, this paper argue that economic growth determines politics and human rights which neoliberalists seem to place as footnotes in the main argument. Here we suggest that neoliberalism as a theory

progress was tied to the economy by thinkers such as contributions from David Hume, Adam Smith, James Stuart and John Stuart Mill, among other, which mark the origin of debates on economic growth, the distribution of wealth and the principles underlying public action (market based approach). Also, the growth of international development can be traced from end of the Second World War which saw an increase in the involvement of States in the international arena in a quest to control ideas (right based approach). This is important because it places focus on different ways to explain the varying ideas that help crystalize international development. In my view each part of the world ought to be allowed to define its own understanding and expectation of development.

does not appreciate to the requisite extent the influence of politics and human rights. Third, neoliberalism being a recent theory failed to adequately address the definition of poverty. Here we suggest that there ought to be a new definition of poverty and a clear classification of who are the poor.

First, (Karl, 1963) argues that for a theory to be valid it must be falsifiable. Oddly, neoliberalism had an opportunity to prove its mettle when the world was hit by the global pandemic Covid19. With the global lockdowns, restrictions of movement of goods and persons, closing of the largest economies of the world, free markets are not as free as neoliberals aspire. The closing down of Airports, movement of goods and people, closing down of both public and private institutions it is clear that neoliberalism is unable to explain such phenomenon. Also, the government had to intervene to reduce the spread of the virus as well as regulate sale of goods and services such as alcohol. With the massive loss of jobs and businesses it is clear that the markets are not what they used to be even with easing of restrictions.

Scholars will speculate for a long time whether neoliberalism would have regulated the market in the wake of a pandemic. In addition there is no indication whether any of the approaches to international development will survive this global pandemic. There is an undoubted reality that the economies of the world have been affected by the pandemic but there is no unanimity on its effect on the economies. What is however abundantly clear is that the assumptions of neoliberalism such as open markets, un-regulation by government, privatization, investment by private sector, and removing state control have turned out to be irrelevant. Instead, the focus has been on the health sector and the debates around the source, impact, and the best approach to combat COVID-19. Here we suggest that an all-round view of international economic development is critical especially since every abstract theory such as neoliberalism collapse when attacked from all sides as is the case here (Erick S. Reintert, 2016). COVID-19 has thus introduced a grand norm that calls for a reconsideration of the realities of previous theories or models of development which would perhaps lead to a definition development as nothing more than global faith (Rist, 2008).

The second argument that is proffered is that neoliberalism has not adequately acknowledged the place of politics and human rights. For instance, by fixing the price of fertilizer and maize in Kenya, the government does the opposite of

what neoliberal's root for. However, fixing the price of fertilizer and maize is a political decision as the government attempts to subsidize for the poor farmers who would otherwise not have access to the markets. (Donnelly, 1985) argues that the government plays a strategic role in meeting the basic needs of its population by attempting to balance between politics and human rights. Although Donnelly argues that state intervention helps the wealthy and that the needs of the poor are not always the priority, it is instructive to note that neoliberalism does not place special emphasis on these two realities confirming the contention that the planners are not in touch with the situation on the ground (Easterly, 2006). It is also noteworthy that in most of the developed democratic states human rights and politics were not the trigger for development. However, according to (Aristotle, 1888) man is first a political being and has inherent human dignity and rights which in my view precede any economic activity they may engage in. Therefore, politics and human rights ought to be the drivers of the economy but due to the inequality in the world, big economies and elites are the main determinant of politics and human rights (Klein, 2007). As such what appears pragmatic is to focus on development first then human rights and democracy.

Lastly, there appears to be a need to reconsider the definition of terms such as poverty and poor. (Broad, 2006) argues that Friedman and Sachs got the definition of poverty wrong by using per-capita rather than the quality of life and basing it on wrong and incomplete facts. No wonder the solutions they come up with are misleading and ineffective. Broad and Cavanagh highlight five myths that are found in the arguments by Sachs and Friedman. However, they fail to provide a definition of poverty or poor. To define poverty and the poor, it is important to have in mind the cause of poverty which Broad and Cavanagh argue is not laziness or corruption. Instead, poverty is caused by powerful actors and large corporations. The epistemology and ontology of poverty and the poor should be premised on the correct methodology. All knowledge about poverty and poor has been Eurocentric which has not been based on logic or dialectics. This appears to be an empire that must be confronted by laying siege to it, shaming it, mocking it with art, music, literature, stubbornness, joy, brilliance, sheer relentlessness, and the ability to tell indigenous stories that are different from the ones we are being brainwashed to believe (Arendhati, 2003). In this way a new definition of poverty and poor is likely come up as has been the case in South America

Argentina, Brazil, Peru and Venezuela. No one should insist on one way of creating knowledge about Africa or the global south generally since all methodologies have some weaknesses but certainly produce valid knowledge of some kind (Feyerabend, 1993).

The other related challenge is that there is no universally acceptable measurement for the rich-poor gap because of the bourgeoisie mentality. This has been exposed clearly in the COVID-19 season since, for instance, the government has actively subsidized tests and provided personal protective equipment to the medical officers. The rich-poor gap has continued to increase with the massive loss of jobs. Common indicators of the rich-poor gap have been suggested to include healthcare, wealth, and education as the primary basis for measuring the gap. One way of attempting to measure world income distribution inequality is testing whether there has been an increase in the distribution alternatives to enable countries to have equal purchasing power (Wade, 2008). Here the suggestion is that this will cause the increase in the growth of middle income countries such as India and China inviting an increase in tendency for migration (Wade, 2008). The second way of measuring rich-poor gap is found in what (Passe-Smith, 2008) argues can be demonstrated in the characteristic of the income gap between the countries in 1960 to 2020 which are (1) absolute gap which is the difference between the mean GDP/pc of a set of high-income countries and that of poor countries or group of countries and (2) relative gap which is the measure of GDP/pc of the poor or middle-income groups as a percentage of the high-income countries. Both the relative and absolute gap are based on the three thematic areas health, knowledge, and wealth. The third way of measuring the inequality gap is based on the resource mobilization of any state structure based on land maldistribution (Seligson, 2008). There is a clear need to revisit these definitions with a view to identify the new poor, realities of the rich-poor gap. This has been exposed by the COVID-19 where some Countries in the global north had provided all the indicators of the rich-poor gap and more, yet they were unable to provide instant solutions to the pandemic. There is a clear need to then come up with new definitions.

References

- Arendhati, R. (2003). Confronting Empire. *World Special Forum* (pp. 1-4). <http://www.zmag.org/znet/viewArticle/11099> .
- Aristotle. (1888). *A Treaties on Government*. New York: George Routledge and Sons .
- Broad, R. a. (2006). The Hijacking of the Development Debate : How Friedman and Sachs Got it Wrong . *World Policy Journal* , 21-31.
- Donnelly, J. (1985). Satisfying Basic Needs in Africa : Human Rights, Markets and the State. *Africa Today* , 7-24
- Easterly, W. (2006). Bailing Out the Poor. In W. Eastely, *The White Man's Burden* (pp. 210 -237). New York: Penguin Books.
- Erick S. Reintert, J. G. (2016). *Handbook of Alternative Theories of Economic Development* . Cheltenham: Edward Elgar Publishing Limited.
- Feyerabend, P. (1993). *Against Method ; Outline of an Anarchistic Theory of Knowledge*. Minneapolis.: University of Minnesota Press.
- Friedman, M. (2018). *A Theory of the Consumption Function*. New Jersey: Princeton University Press.
- Karl, P. (1963). *Conjecture and Refutation : The Growth of Scientific Knowledge* . New York : Routledge Classics .
- Kay, C. (2009). Development Strategies and Rural Development: Exploring Synergies Eradicating Poverty. *The Journal of Peasant Studies*, 36(1), 103-137. doi: DOI:10.1080/03066150902820339
- Keynes, J. M. (1973). *The General Theory of Employment, Interest and Money* . London : Macmillan.
- Klein, N. (2007). Surviving Democracy : Bomb Made Laws. In N. Klein, *The Shock Doctrine* (pp. 129-155). Random House UK: Penguin Books.
- Marber, P. (2005). Globalisation and Its Content. *World Policy Journal*, 21(4), 29-37.

Ngugi, J. M. (2005). Policing Neo-Liberal Reforms: The Rule of Law as an Enabling and Restrictive Discourse . *University of Pennsylvania Journal of International Economic Law* , 513-599.

Rawls, B. J. (1971). *Theory of Justice*. Cambridge: University of Harvard Press.

Rist, G. (2008). Definition of Development. In G. Rist, *The History of Development : From Western Origins to Global Faith* (3rd ed., pp. 8-24). London and New York: Zed Books.

Sachs, J. (2015). *The End of Poverty*. Penguin Books .