

Neoliberalism and sustainable growth

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Structure of the session

- PART 1: Lecture
BREAK
- PART 2: Thought experiment + discussion

Neoliberalism and the belief in sustainable growth

Few definitions how I will use concepts

- Capitalism is an economic system based on beliefs and structures on/of
 - ideal of free markets (private ownership, competition etc.), and
 - neoliberalism as 1) a background ideology (originally economic philosophy) leading to b) set of policy choices toward liberalization related to markets and their wider environment (legislation, governance structures, etc.) in order to support private actors (incl. e.g. financial support for certain industries as in US for oil and gas)
- Sustainable development (hereinafter "SD") is
 - an international policy program in order to reduce harms caused by economic growth and growing industrialization
 - an ideology in which it is believed that with these policy choices economic growth, societal issues and environmental (nature) issues can be balanced

Brief history of neoliberalism

- Neoliberalism (in practice explicitly from 1970s →)
 - Background in *liberal political ideology* (freedom and equality), but...
 - Strongly focused on *economic liberalism* (emphasis on freedom of economy from the state)
 - Especially: Mont Pelerin Society (early think tank from 1947), Thatcherite politics
- Neoclassical economics (optimized behaviour of rational and well-informed *individuals*) → political decisions
 - Neoliberalism and neoclassical economic theory do not have a necessary connection but they often come hand-in-hand
- Markets becoming the ultimate *system of exchange* based on institutions such as private ownership, money, rules for interaction (1947 GATT →), etc.
- Main actors: firms and states (first one acting in markets that the latter "governs")
- Some imperfections: power shift (corporations/nation states), division to North and South (whose rules govern the world economy?), organizations that act "for everyone's good": IMF, WTO, G7, G20, etc.

- Some names in history of thought: Friedrich Hayek, Ludwig von Mises, Milton Friedman, Noam Chomsky, etc. (See also suggested readings)
- See also: "Washington consensus" policies & policy ideology

...And brief history of neoliberalism & SD

- Since (mainly Western) nation states have seen "the neoliberal project"; diminishing regulation has followed (in certain areas, cf. eg. chemical industry with growing regulation in EU), privatization of formerly public services, growing role of private actors in political decision making
- In Agenda 21 (Rio 1992) businesses were defined as one of the most crucial stakeholders of SD negotiations after Brundtland Commission released their report "Our common future" where SD was defined and economic growth defined as the major target
- In 2012 (Rio+20) the business interest group was openly resisting almost all binding regulation on e.g. CO2 emissions, renewables/fossil fuels use (cf. Teivainen 2013 on self-regulation)

General problem with governing without acknowledging effects of ideologies

- The neoliberal development has led to artificial division of politics and economy → closing economy and economic activity from democratic claims creates unjust relations between those who hold economic power and those who don't ("economism")
- Economic system is a system of *distribution of (material) goods* based on "division of labour" of different actors (nation states, geographical areas, business organizations, "consumers", etc.) and price mechanism
- In context of sustainability, the market ideology and underlying reasons for economy and economic activity (i.e. market economy and its rules) are problematic as the ***distribution of moral responsibility is not clear***
- This problem can be seen on system level (eg. global economic inequality, environmental harms, financial crisis 2007 →) and on actor level (cf. corporate misbehaviours and scandals, over-consumption, etc.) that is in direct connection with system level via global economy

*In judging an economic system, one must not only study efficiency but also evaluate effects in the political, social, moral, and psychological spheres. **Economic arrangements must meet more than the test of economic efficiency.** An economic system that produces a large output of material things but fails to satisfy many basic desires of its population, or increases personal insecurity, suppresses natural impulses, restricts movement or expression, violates personal, moral, and ethical codes, or perpetuates and increases inequalities in opportunities and wealth cannot be considered good – **unless all alternative arrangements are even worse.***

(Oxenfeldt & Holubnychy 1966: 5 (latter emphasis added))

Recognizing the problem in the current system

- *[...] the Review estimates that if we don't act, the overall costs and risks of climate change will be equivalent to losing at least 5% of global GDP each year, now and forever. If a wider range of risks and impacts is taken into account, **the estimates of damage could rise to 20% of GDP or more.***
- *In contrast, the costs of action – reducing greenhouse gas emissions to avoid the worst impacts of climate change – **can be limited to around 1% of global GDP each year.***

(Stern Review: The Economics of Climate Change, 2006)

Why there is a deeper problem that SD (alone) cannot solve?

- Problems beyond presented in traditional SD (or why the system is the actual problem): questions of democracy, justice, equality, etc.
- The underlying valuation problem: neoliberal values followed by politics, policies, governance
- The underlying assumptions of economy differ crucially from general understandings of democratic justice, right, and good and many of these issues are ***not covered in SD debate***, or its corporate application CSR (discussed earlier during the course)

What went wrong after Adam Smith (18th century)

- Such issues were originally discussed together – society and economy were built and analyzed simultaneously (“political economy” instead of economy/economics and politics)
 - Noam Chomsky on Adam Smith & Invisible Hand: <http://www.youtube.com/watch?v=eaZORYaygo0&feature=youtu.be>
- Any thoughts?

Our collective (im)morality in neoliberalized market capitalism politics

- Morality: determining (in some way) *wrong and right* in a given issue, situation, etc.
- Moral sentiments are basically *personal* but can be shared in social relations (all the way to societal level as feelings of (in)justice)
- At nation state level, we push our own understandings of right and wrong via voting, public debate, work, voluntary activities etc.
- *(Im)morality and (in)justice on organizational, national and global level?*

Though experiment & discussion

Instructions

- Your task is to send 100 people to space (in a spaceship) for 100 years, and exactly 100 hundred people must return after the travel
- The ship cannot be abandoned (including the people cannot be asleep/in coma and taken care by robots or other imaginary technological solutions)
- Try to stay bounded by current reality (basic human needs, actually possible technological solutions, etc.)
- **How you would organize this?**
 - Consider at least **who** you would put in the spaceship, **livelihoods** during the travel , **decision making system**, etc.
 - You can come up with other central issues!
- Give everyone **an equal possibility to speak and contribute** in your discussion in order to maximize amount of ideas!
- **Make notes → Present ONE solution →** Common discussion after
- Different approaches to different groups (see lecture 3 & 6):
 - Ethics of care (Gilligan)
 - Individualism & liberty (Nozick etc.)
 - Capabilities approach (Nussbaum, Sen)
 - Rational preference satisfaction (Harsanyi)
 - Utilitarianism (Bentham etc.)

References and readings

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