Neoliberalism and Its Dogma: The Implications of its Philosophical Postulates

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From time to time TJSGA will issue essays on topics relevant to The Living Wages North and South Initiative (TLWNSI). This paper is the eight in the series "The Neo-Capitalist Assault" –a collection in development about Neoliberalism.

This first essay of Part III is also the first to formally analyze The Neo-Capitalist Assault in theory and practice and its consequences. The author describes the new business mentality that is based on maximum profitability and deprived of any social responsibility and discusses the theoretical framework. The author opens by discussing the exhaustion of the Fordist Method and the move to the new flexible production ethos with management concepts such as just-in-time-inventory, total quality, zero defects, global sourcing and global access to labour markets, all critical elements for achieving maximum profitability.

The exhaustion of the Fordist-Taylorist Method of Production and the success of the Japanese Flexible Production System forced the U.S. to create the conditions necessary to expand its economy and wealth by achieving maximum efficiency through maximum flexibility in costs of production and in access to markets. Management concepts such as just-in-time inventory, total-quality and zero- defects became a fundamental part of the new production ethos. The successful implementation of this system required developing a new strategy where "volume through variety" and the most competitive cost could be achieved. Providing a greater variety of products to regional markets, instead of specific country markets, entailed the opening of national economies to give access to the products sourced from different manufacturing centres. Efficient production volumes required the development of regional economies-of-scale. Thus, achieving the appropriate scales required market liberalization moving them from local markets into one global market. This global market, composed of different regions, provides the volumes required to customize products to meet, more competitively, regional consumer preferences. A clear example of the search for competitiveness is provided by Wal-Mart, the largest retailer in the world, which is known for its rock-bottom prices, its super efficient operations and its huge economies-of-scale. But Wal-Mart has not been successful internationally due to a lack of market dominance. This is because, except for its North American markets, it has no leadership position in Europe, South America or Asia. Thus, without market dominance, its supply-chain systems and its global sourcing will not increase efficiencies. Wal-Mart's strategy is based on the idea of global sourcing in order to cut costs dramatically. However, since most products on supermarket shelves are still sourced locally, Wal-Mart will need to achieve scales locally and then regionally in order to globalize its sourcing.[1] Thus, access to nations with large consumer markets and strong purchasing power is a key element of maximum efficiency. In this, First World nations and the larger so-called emerging markets are critical for success.

The other key element in search of maximum efficiency is access to labour markets around the world. MNCs not only need flexibility in world trade, in order to achieve large scales, they also need labour flexibility in order to secure the cheapest labour costs, globally, for their manufacturing. Thus, countries need to open their labour markets to MNCs and eliminate as much protection and other hurdles as possible for companies to secure the lowest labour costs. In this case, Third World nations with weak democracies, or outright dictatorships, and a decent level of skilled labour are the favourite targets of corporations to establish manufacturing centres or to subcontract production at rock bottom costs. In these countries, the lack of democracy ensures that unionism will not have the force to demand wages that diminish the competitiveness and the profit margins that MNCs seek to achieve.

Towards a New Global Economic Architecture

The nature of Capitalism is one of unrelenting expansion in search of raw materials, cheap labour and new consumer markets. Thus, it should be self-evident that the nature of Capitalism is, in itself, exploitative of labour in order to achieve maximum profits and competitiveness. Indeed, this is a trait that has always been valid since the dawn of modern Capitalism during the times of mercantilism. Nevertheless, in the new so-called global architecture, this exploitation appears not to occur strictly in the traditional pattern: from the centres-of-power to the periphery; but, rather, across social segments of both centres and the periphery.

The historical evidence shows a very consistent and stable pattern of joint exploitation up to the Second World War; first relative to the relationship between the European powers of the Merchant Era and their colonies, and, then, relative to the neo-colonial structures of exploitation established and managed between the industrial powers and the oligarchies of the former colonies of the periphery during the Nineteenth and Twentieth Centuries. Since the colonial times of the last four centuries, there had always been a tacit agreement between the centres of power and the elite of the periphery to share the benefits. Moreover, it should be of no surprise to anyone that, in many instances, the elites of the periphery were citizens of the empires who moved to the colonies to enjoy the fruits of their exploitations.

Unfortunately, at the threshold of the third millennium, after several decades of apparent Third World economic development, one cannot find any surprising changes. For, in this historical time of neoliberal globalization, despite the existence of a democratic framework in the structure of most capitalist states, there is a tacit agreement between the G7 powers and the plutocratic elites, of the so-called emerging economies, to continue this relationship of exploitation of natural resources, of labour and of consumer markets to their benefit. Sheer greed has become the dominant force, weakening the democratic structures of governments everywhere in favour of what I would call "corpocracy" or "corpocratic government". This is because governments nowadays see themselves as servants of the MNCs and work to provide what these need to meet their financial goals. And so, the primary responsibility of governments –to procure the common good of all ranks of society– has been betrayed for the sake of personal benefit. Indeed, with the arrival of globalization, the democratic structures have been completely corrupted. As a consequence, in clear contrast with the short period of economic and social development, the poor of both rich and emerging economies have become completely irrelevant. If economic growth was the vehicle to social development and the eradication of poverty during the post-war, neoliberal globalization changed the purpose of economic growth to soothe the ambitions of MNCs. Everywhere in the present capitalist system, the responsibilities intrinsic to democratic governments have been abandoned, or, in the best case, have been left to providential outcomes, such as the illusory idea of the trickle-down economy, and not to their first and foremost responsibility. The masses of poor, of the disenfranchised, and even of those on the edge of falling into those categories, have been deemed irrelevant because corporations can thrive by focusing on serving those segments of society that have been lucky enough to command a purchasing power meaningful to the new economy of the mega-mergers and of the rule of the stock. It is the same as if we affirm that governments are only preoccupied by the well being of those social segments that MNCs regard as their primary markets. And so, as it is increasingly argued, Civil Society does not rule; only the market and their owners, the shareholders, through corporations, rule.

A New Global Business Strategy for Maximum Profits

Through globalization, the economies of scale necessary to meet the need of the multinationals, for reaching maximum efficiency, are achieved without the need to distribute wealth in order to generate aggregate demand and reduce poverty. With the now openly accepted practice of mergers and acquisitions, the *oligopolisation* of industries, combined with the globalization of consumer, labour and commodity markets, has modified the rules of the game. The new rules restrict participation to only a handful of corporations in each industrial sector for the benefit of their shareholders and the governmental elites that impose the conditions demanded by the MNCs. In the new economy, not even many of the workers of the MNCs, especially in the periphery, belong to the new economy, because their salaries are so meagre that they are barely capable of surviving. These workers are regarded by MNCs as mere commodities, totally dispensable. Thus, when these commodities try to oppose their dire exploitation, MNCs simply leave and move to buy labour commodities in environments that are more docile. A typical case is the recent migration of several car manufacturers from Argentina to Brazil after the devaluation of the "Real" in 1998.[2] Since then, a new agreement was established in March of 2000. This agreement seeks to solve a very delicate conflict between both countries, which derived from the movement of car/truck and auto-part manufacturers from Argentina to Brazil. The manufacturers were attracted by the subsidies offered by several Brazilian states and by the desire to enjoy the cheaper labour costs available in Brazil since the devaluation. This created a significant loss of income to the Argentine economy and a substantial level of mistrust between both partners, which threatened to derail the Mercosur agreement, the free trade union formed by those countries along with Uruguay and Paraguay. This problem is important because the automotive industry represents 20% of all the trade inside Mercosur.[3] Such is the culture and morale of the new economy of neoliberal globalization. This way, exploitation in the new economy is no longer a traditional centre-periphery. It is an exploitation that cuts across social boundaries. The elites and the middle-classes are, respectively, the rulers and consumers of the new economy. The poor and the totally disenfranchised –the growing majority of the population of the Third World and a growing segment of those in the First World– no longer exist for the *corpocratic* governments of the new neo-capitalist economy, except as commodities of labour, if anything at all.

Hoogvelt coincides with this view and asserts that Neoliberalism cuts across national boundaries through a policy of exclusion, both in developed and developing countries, in favour of the global market system run by MNCs across nation-states in which domestic economies are transformed to adapt themselves to the needs of the MNCs' global economic strategy.[4] To accomplish this, the oligopolisation of industrial sectors was necessary, in order to put them in the hands of a few MNCs. And the oligopolisation of industries, in turn, required the deregulation of industries that Reagan and Thatcher began in the 1980s and subsequently forced, through various methods of coercion, on the Third World and, more gradually, on Western Europe and Japan. This goes directly against the Keynesian paradigm and the Post-Keynesian Theory of Regulation that required the intervention of governments in order to regulate their own particular capitalist system so as to maintain a reasonable level of stability.

The capitalist system, as previously explained, is inherently unstable since it is affected by the perceptions and the reflexivity of these perceptions, described by Soros, of the different actors who participate with opposing interests. The capitalists seek to maximize profits through maximum efficiency, while labour seeks to maximize the level of endowment of its work. What Keynes and, subsequently, the regulation theorists thought, is that, since Capitalism is a system with participants with opposing interests, it needs a set of regulations in order to maintain a reasonable level of stability between the regime of accumulation and the regime of consumption. A coherent system of accumulation, according to the Regulation Theory, is one which has an efficient set of rules, and of checks and balances, so as to ensure long-lasting success.[5] To ensure this, it needs to establish a balance between both supply and demand. In essence, it seeks to establish equilibrium between supply-side Classical economics and demand-side Keynesian economics. It implies stable conditions between supply and the accumulation of capital and demand through the reproduction of wages. However, what actually emerged, concurrently with a lack of fiscal discipline to engage in excessive military spending, was a change of paradigm to support supply-side economics through the currently dominant neoliberal monetarist economic school.

Towards an Economic Dogma for the Wealthy

During the Twentieth Century, economics gradually moved in scope from being regarded as a social science to being regarded, in some schools in the U.S. and abroad, as a branch of applied mathematics. However, it has been impossible to ignore the fact that economic behaviour is not applied by selfless policy makers. Policy makers are actually self-interested individuals maximizing returns for their political interests in terms of power, position, votes, wealth and so on. But, again, Soros has clearly demonstrated that economic theory is directly influenced by the element of reflexivity from human interaction. Thus, economic theory is not an exact science, as some intend to assert, but, rather, a social science where the observer also participates as the subject matter and invariably has a vested self-interest. It is important to emphasize these facts. Because the current debate over economic globalization, evolves around the arguments of free-market economic theory, which assumes a stable and self-regulating economy, and the arguments of post-Keynesians, supporting views such as those of the so-called School of Regulation Theory.

The key point to stress is that the current economic environment in the core of the capitalist system and its periphery is, as can be expected, the result of a political will and a political process resulting from the struggle of the various actors at play. That is, the current economic environment is the result of continuous social interaction. The mere fact that a huge debate about neoliberal economic policy and theory has arisen in the last few years is clear proof that economics is very much a matter of policy, making as it is of mathematical models as it is of democracy. Thus, the economic theories developed to manage the various elements affecting supply and demand and the welfare of society at large permeate into every realm of human activity, and they expand the realm of economics towards what Adam Smith was originally striving for, which was that economic inquiry was part of both social and political inquiry.

In essence, self-interest fuelling political will is at the heart of the debate about neoliberal globalization. This fact is of critical importance. The theoretical postulates and the practical consequences of Neoliberalism and of the opposing views, constitute the debate between two forces with diametrical opposing interests: regulators and free-marketeers.

In my opinion, regulators seek to establish an ethos allowing the political economy to benefit the common good whilst the free marketers seek to benefit the corporate few at the expense of Civil Society at large. However, I deem it important to stress that those who seek to benefit the corporate few pretend to be on top of democracy and, for that matter, of the rule of law. In the whole of the First World, beginning with the U.S., and in many developing nations, democracy is the formal and legal foundation of their state. In these nations, the democratic social contract, which demands the procurement of the common good of all ranks of society, is supposed to be observed, and views such as that of the neo-capitalist paradigm are supposed not to override the Civil Society's mandate. However, claiming to be on the side of democracy, the centres of capitalistic power represented by the national governments are now overwhelmingly dominated by the interests of the multinational corporations. This is because democratic praxis has been dramatically corrupted through all sorts of legal and illegal political schemes. A frequent case is the donation of money for political campaigns intended to uphold the interest of the MNCs instead of the interest of Civil Society at large.

In consequence, Neoliberalism, as applied so far, has moved against the overwhelming interest of Civil Society; for it has not been subject to real scrutiny and democratic choice by all members of civil society, to ensure that it guarantees society's most basic need: the right to earn a decent standard of living in exchange for its work. The end result, therefore, has been the imposition of an economic ethos that demands the freedom to act and move at will across national and social boundaries, with no regulation, in favour of a few powerful interests: those of the MNCs. Even worse, the pundits of this Neo-capitalism have tried to uphold their views as scientific dogma, which, judging from the developments of the last two years, have failed; especially from the moment that Blair and Clinton tried to politically manage the wave of criticisms by introducing the idea of the Third Way, a political rather than a scientific scheme.

Neoliberal Mercantilism: "liberalize to globalize"

So undemocratic is Neoliberalism, that I find far more resemblance with Mercantilism than with classical liberal economic theory. In essay II part I, I described the many similarities that share today's neoliberal Capitalism and the Mercantilism of the absolutist era. At this stage, I deem necessary to explain briefly how this Neo-capitalism developed and ultimately came to resemble many of the features of Mercantilism. When the Fordist method of production was gradually abandoned during the 1970s and 1980s, flexibility in labour markets and consumer markets was required in order to consolidate the flexible method of production and achieve maximum efficiency. This is the essence of today's globalization of the markets and of the free market's deceiving ideology. So, in order to achieve the flexibility in labour costs and economies of scale, market economies have been forced to liberalize to in turn be globalised for a "global method of production." However, in order to forcefully globalize the periphery for a core-periphery method of production, a new Neo-colonialism must be imposed. As in previous times in history, today's Neo-colonialism is simply the imposition of the economic interests of the centres of economic power on the civil societies of the periphery. This is performed once again in association with the local oligarchies, under the disguise of a mock democracy. Furthermore, this kind of Neo-colonialism centres on MNCs and, thus, MNCs financially support those political groups that compete inside the parties, and who are willing to advance the farthest the MNCs' economic interest in their political agenda. This way, the MNCs and the political groups work in partnership just like the absolutist kings and merchants did in the past to achieve their mutually beneficial objectives. As a consequence, the MNCs, under the protection of their governments, take the same role and enjoy the same privileges as the merchant companies of the Absolutist Era. We can then conclude, with a great degree of confidence, that the neoliberal ethos of the MNCs is a clear recreation of the Enlightenment's Mercantilism. Furthermore, the increasing mockery of democracy and the dogmatic attitude of its pundits bring memories of European absolutism. For growing dissent in the periphery is constantly crushed with repression and outright human rights violations and growing dissent in the core countries, as recently happened in Seattle, Prague, Genoa and others, is simply dealt with overt repression and deaf ears.

Neoliberalism and its Dogmatic Postulates - The Theoretical Framework

Let us now discuss the development and foundation of neoliberal theory. The theoretical foundation of Neoliberalism is Monetarism, which came about as the result of successive works around the quantity theory. The Quantity Theory of Money, as it is formally known, establishes the relationship between the quantity of money in the economy and the effect on the price levels. This theory traces its roots all the way back to the times of Mercantilism with John Locke (1632-1704) who wrote specifically on the value and quantity of money against the merchant elite in his Theory of Quantity of Currency.[6] In his modern version, Chicago economist Milton Friedman has been the best exponent of this theory on the demand of money in his series of essays: *Studies in the Quantity Theory of Money*. His study is a restatement on the theory of the demand of money rather than on prices as was previously expressed.[7]

Friedman poses a conservative view and makes a direct criticism of Keynes economic strategy based on fiscal policies (taxation) and public spending. Friedman argues that the economy can be regulated through the central bank by the simple regulation of the money supply in the economic system. Thus, during times of recession, a lax monetary policy will provide enough money to encourage investment and spending through the low cost of money [interest rates]. Similarly, during times of inflation, a tight monetary policy with high interest rates would contain consumption and investment and reduce inflation. In *A Monetary History of the United States* (1963), written with Anna Schwartz, Friedman criticizes Keynesians for giving little importance to the role of money in determining the level of national income and employment. The obvious views of Friedman and other monetarists are conservative and favour the freedom of the market and little intervention from the part of the government in regulating the economy. Thus, according to Monetarism, the central bank role should be to manage the economy through monetary policy in a gradual way with no sudden changes in policy to be implemented. In essence, Monetarism advocates an old tradition at the University of Chicago's Economics Department: that automatic rules replace independent monetary policy. To accomplish this, Monetarists advocate a steady monthly supply of money at a rate of 3%-5% instead of the regulators' position for a discretionary monetary policy.[8]

Notwithstanding the divergence between Keynesians and Monetarists relative to monetary theory, two additional characteristics clearly distinguish the former from the latter and clearly depict the focus of their attention. The first divergence in scope lies in the angle of view. Keynesians are demand-siders whilst Monetarists are supply-siders. This implies that while Keynesians focus on demand and the growth of aggregate demand, Monetarists focus on the growth of supply. Demand-siders care about the consumption and the ability to sustain and increase the demand for goods and services. In contrast, supply-siders concern themselves with the rates of labour productivity and output growth. The other key difference is the almost blind belief, on the part of Monetarists, despite major evidence, in the idea that the market is inherently stable and that it can regulate itself. As a result, Monetarists advocate no regulation from government through either public spending or fiscal policy and a gradual and stable rate of increase of the money supply, paralleling the expectations in national economic growth. Thus, they propose lower taxes, public spending cuts and a balanced budget. To balance the budget they propose to reduce spending, especially in social welfare, as an incentive for people to seek work and save. And, as part of the reduction in public intervention, they advocate the deregulation of industry including a reduction in the quality of business standards.[9]

One last element of Monetarist theory is the firm belief in the lack of effectiveness of government policies and regulations due to their anticipation by market participants. This is based on the hypothesis of the so-called theory of rational expectations. The theory explains that market participants react to counter the changes in economic policy of government regulators and, thus, neutralize the intended effect. Robert Lucas, also of the Chicago School, worked on this idea to develop a model of extreme Monetarism. In fact, post-Keynesian economist James Tobin regarded it as the new Classical Macro-Economy.[10]

The roots of monetarist theory trace back to the classical economics of Smith, Stuart Mill and others. This is why the dominant economic paradigm of today is called Neoliberalism, since it attempts to claim to take many of its principles from the classical economic theory of British Liberalism. Indeed, one can see several similarities that explain why the Neoliberals see Adam Smith as their apostle. As previously explained, Smith believed in little government intervention in the market; hence the demand of the Monetarists for free and self-regulating markets. Smith also rejected in his *Theory of Moral Sentiments* the value of the economic planner since he believed in the rationality of the market participants. However, these similarities do not withstand any test but those of superficial resemblance. First, we must not forget that Smith and the other British classical economists envisioned a market with many small entrepreneurs and completely rejected the idea of monopolies or oligopolies. Then, they believed, as Monetarism also does, in the rationality of the expectations of market participants. Nonetheless, the classic economists were basing their theory on the assumption of a market that enjoyed perfect information. Lastly, we must not forget that their ultimate goal was the welfare of all ranks of society, and Stuart Mill went beyond, as previously mentioned, and emphasized the need for wealth redistribution.

In clear contrast, Neoliberal Monetarism focuses on the participants of the supply-side of the market system: labour and capital. However, labour had no real opportunity to maintain its position when the Neoliberal pundits demanded and obtained the deregulation of their business practices, especially of those dealing with job protection and benefits. With the freedom to choose labour markets without rules and obligations from the part of capital, only the welfare of the employer benefits from the system. However, even before we consider this kind of deregulation –assuming that there is a set of workers' protectionist measures– it should become evident in the next paragraphs that the hypothesis of rational expectations only benefits the employer.

In essence, the similarities that Neoliberalism pretends to have with Classical Liberal Economic Theory are completely irrelevant because the assumptions of perfect information, full employment and perfect competition, that were key features of Classical Theory, never happened. The real and true similarity is not with Classical Theory but with the real economic policies that the British governments of the Industrial Revolution imposed for the benefit of the industrialists. Thus, where there is real resemblance between the classical period and today's ethos is in the imposition of ideological motives over true rational analysis. Villarreal clearly notes that a number of assumptions are made to fit their real motives. In order for the model to function, reality must adjust to the assumptions instead of validating the hypothesis against real facts.[11] For example, the State is inefficient and most curtail its spending. But, while social spending is the first to be cut, arms spending has no restrictions, even if the public deficit explodes, just as it did during the Reagan era. In the real world, the assumptions do not hold, but governments side with the corporations for their mutual benefit.

Another illustration is the case of the Theory of Rational Expectations. If the central bank increases the money supply, lowering interest rates in order to increase activity, but labour and capital "perfectly" anticipate the intended effect of price increases, they will react to neutralize the effect. Labour will demand higher nominal wages; but, since the employer can anticipate the higher prices and revenues in its activity, it can agree to raise nominal wages without increasing real wages and, perhaps, even reducing them a little.[12] This example is given under the assumption of perfect information. However, in the real world, the employer enjoys much more information than labour. Thus, by knowing precisely its past cost of labour and its future prices, it knows exactly how much it can allow in higher nominal wages in order to maintain or decrease real wages in the immediate future. Labour in contrast cannot anticipate what the new increase in prices will exactly be. Furthermore, with the corruption of democratic structures, labour legislation is weakened whilst corporations enjoy the freedom to act to protect their own interests and ignore the law.

These are the facts that explain why supply-side economics, focusing on labour and capital, with their demands for free labour and consumer markets, and for an ethos of self-regulation for every industry, work only to the benefit of capital. If we add the corruption of governments and the mockery of democratic principles, Neoliberalism has nothing in common with the classicists' theoretical ideal of achieving the common good and the welfare of all ranks of society. However, it is in this self-regulating idea, anchored on the rational expectations theory, that Neoliberalism claims that the market is self-regulating. That is, the assumption of rational expectations is supposed to guarantee an automatic, instant and continuously self-regulating market.[13] It does, however, have a lot in common with true *laissez faire* as practiced by the industrial class. Sixty years after the collapse of Victorian Capitalism and the emergence of the Keynesian paradigm, Neoliberalism wants to take the world back to the era of dire exploitation that was the true ethos of England's industrial revolution and of the *robber barons* and their trusts in the U.S.

To the Neoliberal claim of self-regulation, there is now ample and recent evidence to the contrary. The Neoliberal paradigm began to influence economic policy since the late 1970s. However, the experience of the past two decades has shown that Monetarism has proven to be effective only during years when a national economy has remained stable and predictable. That is, when the speed or velocity of the money supply and its relationship with GDP and inflation are stable and predictable, the money supply is then a useful tool to target its effect on prices, labour and output. But, when it does not, as frequently happens, Monetarism is then largely ineffective. For this reason, Monetarism has been abandoned and re-approached by different nations as economic cycles unpredictably change.[14] The problem is that every time it is abandoned, governments go back to intervene in the economy, regulating key elements such as public spending, budgets and fiscal policy in addition to a close management of the money supply. On every one of these occasions, the governments' economic policy moves back to a regulating ethos keen to Keynesianism instead of Monetarism. Consequently, this periodical change of economic policy contradicts the Neoliberal claim of the inherent stability of the markets and of their ability for self-regulation, showing the falsehood of the claims of the Neoliberal paradigm. However, because their ulterior motive is political and not rational, they have continued to insist on their claims until today.

The fallacies of Friedman's eulogy: "Free to Choose"

From the very start of his book, Friedman uses some of the postulates of Adam Smith, Stuart Mill and Thomas Jefferson to support his first claim: that government intervention in the lives of its citizens constitutes a great danger.[15] He is right. It does constitute a great danger if a government abandons its responsibilities to procure the welfare of all ranks of society, as Adam Smith also said, and sides with the very private interests of the shareholders of the corporations, as has most often happened. Friedman laments that the government took a very interventionist role in the economy as a consequence of the Great Depression because, from the U.S. government's perspective, it became evident that the free-market system had obvious failures. In his view, the cause of the Great Depression was the government's failure to take on its responsibility in monetary matters. He warns that if society allows its government to be an active player in the economy, we would be following the path towards slavery, and he supports his extreme view by making reference to Friederich Hayek's book *The Road to Serfdom*.[16]

Friedman's basic position is that it is realistic to expect a well-working free market system if we understand its principles. So he calls on people to understand how Adam Smith shows the way in which a complex system, organized and operating without distortions, can develop and prosper without a centralized control; and how far all the players of the system can coordinate their deeds to everyone's benefit without coercion, if they want to choose adequately.[17] Friedman admits, however, that concrete private interests have prevailed over the common good. But he insists that the government should not intervene in the market system except to regulate the money supply.

It should appear evident to the reader that his views are rather simplistic. Friedman goes on and on in his support of the invisible hand that benefits everyone if we leave all individuals to pursue their own personal interests without interference, and he calls repeatedly on Smith's postulates to explain why. He considers the price system as the essential element in Smith's "Wealth of Nations" to explain why two individuals will engage in an economic transaction only if both believe that it will benefit them.[18]

However, in the first chapter of *Free to Choose*, Friedman expresses resentment at those narrow interpretations of personal interest that reduce it to an exclusive interest in material gain and he argues that individuals have many other interests beyond material wealth. People have many other personal interests, he simplistically argues; the scientist, the missionary, the philanthropist, or the musician, all have their own personal interests beyond their economic interests.[19] But, while this is obvious, it bears no relevance, whatsoever, to

human behaviour when it deals with material gain. Simply speaking, people only look out for themselves when it comes to monetary gain. Moreover, if there is no argument between both regulators and free marketeers relative to the fact that individuals normally pursue their self-interests, because this is a key feature of human nature, there is also no argument in pointing out that, in a capitalist society, they especially pursue their own self-interests when it comes to monetary gain. Individuals do not seek to ensure that a transaction benefits both parties. Individuals only seek to ensure that the transaction will benefit them. At best, the sake of the other individual is left to chance; at worst, the other party's benefit is completely irrelevant.
Friedman, having proclaimed that individuals can fend for themselves without the aid of the state, then assigns four tasks to government. Three of the tasks he takes from Smith: protection from physical violence, a precise administration of justice and basic public works, and he adds the protection of individuals that cannot fend for themselves. Later he adds the responsibility for monetary emission.[20]

Friedman's two best examples of the "right economic ethos", as could be expected, are the U.S. and England between 1848 and the Great War. This is Friedman's golden age, which he proclaims to have reached its climax when every British citizen was in "perfect liberty" to pursue his own interests because there was minimal government intervention. He claims that, during those years, there was tremendous prosperity; so impressive that it helped to make more evident those circles of poverty that were not reached by this development and so well depicted by Dickens and others. As for the U.S., he calls the so-called era of the *robber barons* a myth. If there was so much exploitation, he asks, how come immigrants kept turning up? He rejects the accusation of a lack of scruples of the industrialists by pointing out the proliferation of private associations to assist the poor.[21] His superficiality is appalling.

In his coverage of the Great Depression, although he admits to a great wave of speculation in the stock market, he blames the U.S. Federal Reserve for almost all the problems that derived from the crash of 1929. He blames the Fed for not taking the same solution used in 1908 to save a private bank. That is, of allowing banks to restrict payments to its customers for a specific period; and, as a consequence, he also blames the Fed for being the culprit of the idea that the market system was inherently unstable and, thus, of the need for governments to intervene as agents of regulation.[22]

Relative to the Welfare State, he goes on, unrelentingly criticizing its weaknesses, such as the possibility that the money allocated to these programs was stolen by the possibly corrupt bureaucrats who administered them.[23] He considers the majority of the programs paternalistic and less humanistic than letting the recipients fend for themselves. He asserts that these programs weakened the family and the incentive to work, to save and to innovation and they jeopardized the accumulation of capital and, of course, limited our freedom [whose freedom?].[24] Friedman concludes his book by re-emphasizing that giving too much power to the government is a great danger [of course, to him, the Welfare State is one big and dangerous transference of power]. Interestingly, Friedman offers, in appendix A, a relation of the Economic Platform of the U.S. Socialist Party of 1928, indicating that most of its points have been implemented partially or fully.[25] In fact, I am surprised that he did not call the Welfare State, at least not publicly, a Communist program.

I deem Friedman's *Free to Choose* to be very superficial and naive, if not full of cynicism. It is silly to think that all individuals are equal and, thus, compete under the same circumstances. It is naive to think that an individual, aware of the coercive power that he possesses and that others lack, would not use it as an advantage to pursue his own interests and win the better part, if not all, in an economic transaction. Friedman seems to think, or wants the common man to think, of a world where individuals trade under an ethos of perfect conditions.

In his celebration of the growing wealth of Victorian England and of the Gilded Age in the U.S., he doesn't stop to question how come there were so many poor and whether they were poor because they did not want to work or because they were the victims of a system of exploitation imposed for the benefit of the industrialists. Once again, he ignores the fact that there was no perfect system, as Smith's assumptions did. He calls the documented fact that the robber barons acted in numerous instances above the law, exploiting and killing to meet their aims, a myth. As to the numerous private charities of the XIX century, if there were so many, was not this perhaps because there were so many poor? Are so many poor people a result of exploitation or are they poor as a result of their own sinful ways, as Victorian England believed? Were there so many people uneducated because of the lack of equal opportunities or because of the lack of ambition? Above all, he completely ignores the fact that there is no ethos of hundreds of thousands of individual entrepreneurs. He just does not talk about the corporations who exert power on governments and do not act as individuals but as powerful organisations, which moves are against the individuals' interests. The total absence of comments about corporations is extremely notorious in this book. Friedman, I should say, suffers from such a lack of objectivity in his views that it is impossible to think that he is being naive.

In summary, the entire content of Friedman's *Free to Choose* is nothing but the expression of his political ideology instead of a Noble Prize economist speaking to the common reader and explaining basic and objective economic common sense. *Free to Choose,* which was aimed at the casual reader, is nothing but a work of propaganda to promote Friedman's political ideology in a rather biased manner. Throughout his book, he vehemently defends the *laissez faire* ideology as applied by the centres of economic power for their own self-interest. He does not stop to question for a second why there is so much disparity, what are the causes of poverty, why wealth keeps further concentrating in the upper echelons of society and why there is really no trickle-down effect. He fails to consider, I suspect on purpose, that, in the real world, there is no perfect economic ethos with a perfect system of information and competition, with full employment, as Smith and his disciples envisioned and hoped. More than anything, as most neo-capitalists feel, he chose to ignore that there is no ethos of hundreds of thousands of individuals in perfect competition but rather, an increasingly few mega-corporations that form the oligopolies in every sector of the economy that control every economic trade in the world. He further ignores the fact that mega-corporations are the modern version of the quasi-monopolies of the Merchant era, which were despised by Adam Smith. Thus, what power does the individual have when it has to deal with today's MNCs? In today's ethos, the MNCs are the only ones free to choose. So, how can free marketeers call their views scientific dogma when they are full of their own political diatribe? Friedman's work seems to be just one more example of Soros theory of reflexivity, except for the fact that he appears to consciously influence the outcome in the direction of his political ideology. Thus, inevitably, in this work, Friedman tries to manipulate economic theory to fit his political ideology, which is staunchly conservative, elitist and extremely one-sided.

The Wolf in Sheep's Clothing

Why is it, then, that theory seems to follow political ideology? Is it that political interests produce a political ideology designed to bring the results that fulfil their economic interests? In my opinion, economic theory cannot be developed by selfless academicians. This is the same situation that occurs with economic policy makers, who are self-interested individuals maximizing returns for their political interest in terms of power, position, votes, and personal wealth. With economic scientists, it is exactly the same. In fact, no social science can be developed by selfless individuals. This is human nature. Even under the assumption that they act with the utmost objectivity and professional zeal, it is inevitable that social scientists be influenced first, by their own moral, political and cultural views of specific aspects of human society and, second, by their own personal interests. This is especially the case of economics, the social science that studies human activity relative to the production, distribution and consumption of wealth. For, in addition to the element of reflexivity, moral and political views and personal interests also influence the development of economic theory. Thus, it is my opinion, that only thinking from a higher moral ground can we aspire to be humanly objective about the study of economics.

However, what is to be objective in economic terms? From a democratic perspective, it is to think of the common good. When Adam Smith thought about economics, he did it as a professor of Moral Philosophy, and he centred his work on the idea of the common good. He was probably thinking of the ethos that best suited every individual interest, and that the sum of individual interests equalled the good of all individuals. Philosopher Luis Villorio wrote that the common good can only be true when it is considered from an angle detached from our exclusive interests, so that our interests coincide with the general interest.[26] But, still, the common good can mean different things to different people. Nonetheless, the end result of Neoliberalism on society at large is a widening gap between rich and poor and this cannot be considered an ethos in support of the common good.

Could neoliberal theory of economic monetarism and self-regulating markets, which demand the elimination of industrial controls and labour standards and of the support of wealth redistribution programs to procure the common good, be then impartial? Can they seek to procure the good of all ranks of society or are they advocating rules [or the lack of rules] that only benefit the corporation? Corporations demanded freedom to choose their sources of supply for raw materials, components and labour, and the freedom to choose their markets –all in the name of efficiency– meaning greater profits; but they present themselves as advocates of individual liberty. In seeking to meet their own objectives, they present themselves as fearless sheep that can only bring prosperity to everyone if all are left free to fend for themselves. Nevertheless, the unrelenting search for higher profits and wealth accumulation is the only force that drives their motives.

How, then, can corporations, who seek to maximize their own wealth with predatory instincts become the darlings of today's so-called democratic governments and have them proclaim that Neoliberalism is the way to go? To go for who? Well, obviously to go for them, for Neoliberalism is the ethos where a relatively small group of private interests are allowed to control as much of society as necessary in order to maximize their wealth.[27]

What has occurred now, is that the interests of the MNCs and their partners in government, both in the centre and on the periphery, hold democracy hostage. We now live in what Chomsky calls a market democracy because the same interests have assaulted both geographic areas. This is because the roots of the assault on democracy and the markets lie in the power of global corporations – which are increasingly interlinked– that rely on the protection of powerful states in order to enjoy the freedom to act with no need to provide accountability to Civil Society.[28] Corporations by nature try to impose the social environment that best suits their interests. Their pursuit of maximum profits needs to take advantage of societies without a commitment to establish an equal exchange. Thus, corporations cannot support true democracy, for the interests of many sectors of society would prevent them from achieving maximum profits. Societies, in their relationship with companies, seek, for the welfare of society at large, a fair distribution of the factor endowments. That is, they seek a fair remuneration for their work and the payment of corporate taxes, commensurate with the amount of wealth created by the market activities of the corporations. They also seek from the corporations the respect of the environment and of the community where corporations physically interact with society.

Obviously, all of these social interests reduce profits and put the interests of corporations in direct conflict with those of Civil Society. To be sure, all of these social interests are genuine democratic interests. However, the historical *raison d'être* of corporations is to have as its sole purpose the maximizing of profits. Otherwise, corporations would not exist. It is only because of the pressure of civil societies in democratic states, that corporations have embraced, however reluctantly, their social responsibilities. Thus, unless a corporation puts their stockholder demands for maximum profit below their social responsibilities, they will inevitably seek to profit over the interests of people. In reality, corporations put up the face of Good Corporate Citizens only when civil societies put enough pressure on them [social pressure coined the label of Good Corporate Citizen]. As previously mentioned, since the times of the merchant companies of the Enlightened Absolutism, corporations have always been in partnership with the holders of political power. It was only the rise of European Liberalism and of democracy that kept at bay the predatory nature of Capitalism. But, with globalization, the demands of the stockholders for maximum profits have dominated their culture.

In consequence, corporations seek to impose their rules by operating under the protection of governments. Their powerful economic interests, which are their own private interests, have also become the private interests of those in command of governments. Governments have been corrupted by the personal greed for wealth and power of those elected to guard the interests of Civil Society. They impose the very private interests of a small number of organizations, the corporations, over the public interests at large embodied in the Civil Society. Thus, now, more than ever, they have moved to govern for the benefit of corporations.

In the most advanced democracies, social pressure keeps them from imposing the most extreme conditions desired by the corporations, but that has not kept them from imposing a real *corpocratic* government. That has not kept them from funding the political campaigns and then demanding the advancement and protection of their very private interests.

In less developed "democracies," corporations have been able to impose their will to the utmost extreme by using the support of their own government to pressure the local governments. And the same process that occurs in the metropolises occurs on the periphery. The local oligarchies and the MNCs also bribe the governments of the periphery by financing the latter's political ambitions. And Civil Society, with weaker democracies to protect them, cannot overcome the power of the MNCs and their governments and of their own local autocracies. Therefore, in the last two decades, governments on the periphery have advanced the interests of corporations under the disguise of democratic progress. The governments of The United States, Great Britain and, to a lesser degree, the other members of the G7 have taken full ownership of the interests of the corporations and have put them above their mandate to govern for the welfare of Civil Society. Naturally, the United States, being the nation with the largest share of MNCs, has the most interest in imposing a *corpocratic* ethos in all nations.

This is the new model of imperialism, and it is being replicated all across the world, not only by the G7 partners but also by developing nations, especially the so-called emerging markets on the periphery. This is the dark reality that is confronting us at the beginning of the third millennium: the rise of the *corpocratic* world order embodied in what I regard as the Neo-capitalists Assault. For this reason, in the next essays, I will review how corporations are taking over the economic and political order of the so-called "democratic nation-states" and are imposing their own idea of a "New World Order."

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