

The end of neo-liberalism

Prof. Dr. Moustafa El-Abdallah Al Kafry

Contents

- Neo-liberalism contradicts the course of Keynesian economic policies:	2
- The Cold War and the rise of the neo-conservative model:	3
- The policies pursued by the neo-liberals:	5
- The idea that the market economy is always right is crazy:	7
- The failure of the market mechanism and the collapse of neoliberalism:	8
- Lessons and through the neoliberal crisis:	9

The end of neo-liberalism

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During the sixties of the last century, the University of Chicago was the main place for founding (new liberalism), influenced by the ideas of the great economist Milton Friedman, professor of economic theory, and Leo Strauss, professor of political philosophy.¹

- Neo-liberalism contradicts the course of Keynesian economic policies:

Milton Friedman gave a contrary perspective to the entire course of the Keynesian economic policies that prevailed for four decades after the global crisis of 1929, opposing any regulatory-planning intervention of the state, calling for the abolition of the Federal Reserve system,² and considering that the actions of individuals in the market alone are sufficient to manage, regulate and correct its course, as He saw, unlike Maynard Keynes (1883-1946), that economic deflation does not struggle through state planning and high taxes, and inflation does not decline and is eliminated through monetary deflationary policies, but rather by increasing the flow of cash in the market, considering them a pure monetary phenomenon, proposing A solution to them by leaving the market free to its extent through its own movement, while reducing taxes to the maximum limits.

As for Leo Strauss, he presented a new philosophical perspective on liberalism based on a vision that broke the link between the ideas of the founder of liberalism, John Stuart Mill, and the ideas of the French Enlightenment with Auguste Comte, the founder of

¹ - Muhammad Sayed Rasasas, has the extension of neo-liberalism ended in favor of realistic policies? Life 10/13/2008.

² - The Federal Reserve System was established in 1913 and its power has increased since the era of Roosevelt in the 1930s.

positivism, to link liberalism with Edmund Burke, the conservative English philosopher who presented a philosophical critique of the ideas of the French Revolution (1789) a year after its establishment, and to link it with a philosophy of politics dating back to Plato, transcending (utilitarianism) and (his tools) modern political theory, which has prevailed on both the right and the left during the past four centuries, through Nicolas Machiavelli and Thomas Hobbes, calling for policies based on (moral attack), armed with spirituality and democratic values.

Friedman had the opportunity to experiment with his economic policies during the era of US President Ronald Reagan, after he became one of the economic advisors in the White House in 1981, (the increase in the interest rate in American banks on deposits, during the six years of the Reagan era, led to the entry of 656 billion dollars into bank coffers The American economy came from abroad, which led to an end to the state of economic deflation and inflation, which the Keynesians believed was the cause of the rise in oil prices after 1973, and this was accompanied by Reagan with the abolition of many social and health security measures and a lot of government expenditures in social fields, with a trend radically lower taxes on individuals).³

- [The Cold War and the rise of the neo-conservative model:](#)

The economy was an important factor in resolving the Cold War in favor of capitalism against socialism, which was achieved during the era of US President Reagan. The global victory of liberalism and the shift from a bipolar system to a unipolar system led to the perpetuation of Friedman's theories in economics and the rise of the (neo-conservative) model, who adopted Strauss' political philosophy, focusing on transforming democracy into a (missionary

³ - Muhammad Sayed Rasas, the previous source.

ideology) in conjunction with the spread of globalization and redrawing the map of the world. America in the twenty-first century.

The policy during the era of President George W. Bush was in implementation of that founding document issued in June 1997 aimed at (building the new century in accordance with American principles and interests). And the considerations of many major countries globally and regionally, in more than one place in the world, in addition to ignoring the local interests of many small countries and their populations.⁴

There was also a political-economic mixture that combines the policy of Leo Strauss and the economy of Milton Friedman. The financial economy, through the investment banking system, turned into a major element within the American economic structure, during the first decade of the twenty-first century, which competed with the traditional banking system in terms of the size of its assets. . There have been booms similar to the boom that occurred under President Reagan, which tipped the balance in favor of Friedman's theories about the role of money in the market (and the economy in general), especially with the American real estate boom, which had a book value of about \$62 trillion before the crisis.⁵

Friedman had thought that the first loss of the American real estate sector, recorded in September 2006 during the course of ten years, was emergency and temporary, without calculating that money was recorded in stock exchanges based on that huge book value of real estate, through the shares of the current and guarantor investment banks of the homes of millions of Americans Directly or through the credit default swap c. d. s. system for the interest of the

⁴ - The founding document signed by many people, most notably Cheney, Rumsfeld, Wolfowitz and Douglas Faith.

⁵ - The US gross domestic product is worth about \$14 trillion.

investment bank by the individual or the real estate company after purchasing the house or property from the bank, in return for an interest of 6% for a period ranging from three to five years paid to the bank by one of the latter (the individual or the company Real Estate), who mortgages the property for the benefit of the bank pending payment within the agreed period.

This does not reflect a real economy as long as the actual value of these real estate did not exceed eight trillion dollars in August 2008, half of its value perished in September of the same year. Also, that boom will stop at a certain point that will turn it into a mere bubble through a corridor called the crisis, which began to appear in March 2008 with the crisis of (Bear Stearns) Bank, then (Indy Mac) Bank in July 2008, leading to the collapse of the shares of major investment banks , such as (Merrill Lynch) and (Lehman Brothers) in September 2008, that is, the announcement of entering into a crisis that Alan Greenspan, the former US Federal Bank governor, considered the most dangerous since the 1929 global crisis.

- [The policies pursued by the neo-liberals:](#)

Among the most important policies pursued by the neo-liberals that led to the contemporary financial crisis: ⁶

- 1- Encouraging the rentier economy at the expense of the real economy,
- 2- Reducing taxes on major investors, financial funds and giant investment banks, due to the possible increase in the medium and long term in tax revenues, a measure that has not been proven correct.
- 3- Liberalizing the transport sectors, especially air transport and railways, in order to improve their efficiency;

⁶ - see, Bashar Al-Munir, Black Monday, does he bring some people to their senses.? Farewell to state neutrality - the demise of neo-liberalism: (We are all partners) 11/18/2008.

- 4- Considering free competition among everyone, but what happened is that a few giant institutions monopolized the market, armed with billions in their various assets, and kept small and medium-sized companies away, which led to their bankruptcy and the loss of their jobs.
- 5- Reducing credit standards, which made it easier for individuals to assume real estate mortgages with fictitious values, so that some mortgages had negative repayment rates, as the debt payments paid did not cover the interest due, and with the decline in housing prices, some discovered that their mortgages are greater than the value of their homes. Others discover that they will not be able to repay the debt as interest rates rise.

After eighteen years of continuous American successes in (re-shaping the world), the American setbacks began, represented by the following stations:

- The results of the war that Israel launched against Lebanon in July 2006.
- The success of Hamas in Gaza, June 2007.
- Doha agreement and reconciliation among the Lebanese.
- The openness of France and Europe to Syria.
- The faltering of American agendas related to the Iranian nuclear file.
- Showing the Russian muscle in Moscow's war with Georgia last August.
- American stumbles and difficulties in Pakistan, Afghanistan and Iraq.
- Have the unipolar difficulties and stumbles begun to emerge? Probably!

(Is this a “transient” crisis resulting from the policies of the economic and political administration in the United States of

America, in which the so-called “mortgage” problem arose? Or does it go beyond the limits of that to a structural crisis of the neoliberal model itself, and thus transcends the borders of the crisis of branches to the crisis of assets itself?).⁷

(European countries fear that the symptoms of this crisis will spread to their economies from a lack of liquidity in the banking sector and in financial markets and a significant decrease in the indicators of these markets, which may lead to a liquidity crisis, confidence, losses incurred by financial institutions and bankruptcies for a number of financial institutions, especially investment banks that cannot to take deposits from the public or obtain liquidity from central banks.

- *The idea that the market economy is always right is crazy:*

French President Nicolas Sarkozy believes that the state of economic turmoil provoked by the crises in the American financial markets has put an end to the free market economy. President Sarkozy also believes that a certain conception of globalization is nearing its end with the demise of financial capitalism that imposed its logic on the entire economy and contributed to the deviation of its path. He emphasized that (the idea of the absolute power of markets and that they should not be restricted by any rules or any political interference was a crazy idea, and the idea that markets are always right was a crazy idea). He called for reforming the global capitalist system after the current financial crisis revealed serious gaps in global banking activities, calling on the European Union to start thinking about a new monetary policy. Sarkozy expected that the chaos of the financial markets in the United States would affect the French economy for months due to its integration into the global

⁷ - Breakdown or structural crisis? Jamal Barout, Al Arab Newspaper, 28/9/2008.

economy, but he promised that no one in France would lose his bank deposits.⁸

While US Secretary of State Condoleezza Rice strongly defended the capitalist system.

- [The failure of the market mechanism and the collapse of neoliberalism:](#)

On 9/15/2008, Lehman Brothers, the largest American bank, was declared bankrupt, and the major American insurance company, AIG, experienced difficulties during which it lost 70% of the value of its shares in the American and international stock exchanges. This collapse occurred months after the mortgage crisis. Which led to the decline in real estate investments, and the inflation of the assets of banks and real estate institutions with doubtful debts, and bonds with low solvency, which forced US President George W. That), and thus the basic rule of the capitalist system and the neo-liberal approach fell, that is, the state did not interfere in the markets and left it to the justice of the market law (the law of supply and demand).⁹

The neo-liberals and their global government criticized Mahathir Mohamad in the summer of 1997 when he demanded the use of the state's interventionist role to surround the (Asian Tigers) crisis, and mocked Chavez and the Bolivian president while pushing the state to interfere in economic affairs, while they resort today to the largest intervention in the history of the capitalist market, and indeed And what reaches the limits of nationalization, and this becomes blessed and appropriate when the liberals do it.

⁸ - see, what's going on! Abdul Qader Hosariah, Al-Thawra Syrian Newspaper 29/9/2008.

⁹ - In the context of the current financial crisis, the Belgian government nationalized one of the twenty largest banks at the European level, in a joint step with the Netherlands and Luxembourg.

The liberals call for the necessity of state intervention in the event of market failure, and even implemented what can already be described as the largest nationalization process that transformed the United States of America into (the Republic of the United States of Socialism), according to the words of the American economist and professor at New York University Nouriel Roubini, but as he put it (the socialism of the privatization of profits and nationalization Losses for the rich and powerful (Wall Street)). Republican candidate John McCain spoke angrily about the casino-style financial system, whose victims are depositors in the end, including sovereign funds and big investors in those clubs who mocked those who use the term had McCain not used it. ¹⁰

And the matter goes beyond the limits of the way the dominant countries leading the globalization process deal with neo-liberalism as an (selective package) actually, while exporting it to developing countries as a (complete package) to present the crisis of the origin or the liberal model itself. Neo-liberalism has denied these countries that are characterized by market fragility and weak economic structures, i.e. controlled interference in their economies whose rates of exposure are the most in the world as a result of the application of neoliberal prescriptions, while the systematic and diligent state intervention for many centuries in the market economy in the West was a condition for its development. As the teachers of economic history say.

- [Lessons and through the neoliberal crisis:](#)

The lessons of the global financial crisis in 2008, the great crash and its painful lessons and repercussions for those who want to learn them are many, the most important of which are:

¹⁰ - see, Look, Jamal Barout, the previous source.

- After the major capitalist countries resorted to the nationalization of some banks and investment companies, and the return to the policy of interference in economic activity to ensure stability in the markets, it has become unacceptable in any developing country to resort to privatizing public projects and to withdraw permanently from economic life under the pretext of non-interference in the (sacred) market freedom.) and the implementation of the commandments of the forces of globalization.¹¹
- It became clear after the great collapse that favoritism for the wealthy groups and financial capital through tax cuts had a significant impact on the growing deficit that the financial budgets suffered in America,¹² in addition to the general feeling of anger left by favoritism on the middle and poor groups, as this policy led To reduce their earnings, three-quarters of workers are getting a wage that is 25% less than what prevailed twenty years ago, and social security for the unemployed has become more conditional, and only 29% of the unemployed benefit from unemployment grants today, while it was 70% in In 1986, the surplus of growth went to the wealthy fifth in American society, which is dominated by the principle of winner-takes-all. This is what made these groups siding in the presidential race with the Democratic candidate in a protest move against the approach of the neo-

¹¹ - For example, after the major global crisis, the Egyptian government sold the "Sodium Carbonate" company, which is a profitable company, to a Belgian company for 760 million Egyptian pounds. Egypt lost twice, the first is the loss of the annual profits that the company was making, and the second is the transfer of the company's profits to Belgium.

¹² - The deficit from which the financial budgets in America have suffered is about 75%.

liberals who brought the American economy to the brink of disaster, to guarantee the interests of the "rich fifth".

- It has become necessary to follow a tax policy that achieves justice in distributing the tax burden and depends on the amount of profits and rents achieved for the wealthy groups, and the modest wages for the rest of the groups. Tax justice means that every citizen pays a tax commensurate with the size of wealth and income that he obtains.
- The losses suffered by Arab investors in the financial markets due to the global financial crisis confirm the risks of investing abroad, especially in the American and European financial markets. The alternative is safe investment inside the Arab countries in productive industrial and agricultural projects that secure a rewarding return for Arab investors, and generate job opportunities for millions Job seekers in the Arab countries receiving investments, especially after legislations were enacted to protect investments in most Arab countries.

There is no doubt that the current crisis experienced by the American system is only in its infancy, and it must have an impact on financial institutions and global economic thought, which must analyze what happened, why it happened, and how it can be avoided. Although the market economy has proven that it provides the best mechanism for achieving economic growth and in the allocation of resources, this economy needs a role for the state that regulates, supervises and can, and is even ready to intervene in a timely manner to avoid market failures that, regardless of their frequency, their results may be catastrophic as those The American financial system!

Prof. Dr. Moustafa El-Abdallah Al Kafry

Faculty of Economics - University of Damascus