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Within a space for creation of thought, the effort of any intellectual is to try to make a concrete analysis of a concrete reality. The effort is to try to uncover what lies behind the phenomenon and give it a sense of reality. It is indeed a search for truth.

Moreover, if that intellectual is also a citizen of the world, a citizen of this time who does not remain indifferent in the face of human dramas of the 21st century, the challenge, besides interpreting the world, is transforming it.

Rarely in the history of science has theory been the subject of a greater fraud than what Neo-liberalism did: a dogma of faith, an ideology raised to the category of science.

The neoliberal proposal is based on the statement that individuals seek their own interest and personal satisfaction, and that such behaviour in an institutional system called "free market" results in greater social wellbeing. The self-fulfilment of the human being does not require a relationship with another individual; that is the reason why self-fulfilment may be achieved in "solitude". The total abstraction of an essential element of human beings: their social and historical nature. Individual

fulfilment as only the process of maximization sustained on the instrumental reasoning, absent from social relations that human beings establish with other fellow men in the reproduction process of their material and spiritual life, in their inherent need for political, cultural, amorous sociability.

The alleged “invisible hand” of the market, used by the creator of this concept in the late 18th century as a canonical model that helped understand early capitalism in its mercantilist phase, at the stage of original capital accumulation, at the stage of original capital dispossession towards other productive pre-capitalist activities, transformed in the general standard of human behaviour, not only in economics but also in everything else. The impoverishment of Adam Smith’s own canonical model interpreted with 18th century tools, evidently, has been historically overcome in this stage of financial, monopolistic, globalized capitalism.

Then, as if by magic, an execrable human defect, selfishness, was raised overnight as the paramount individual and social virtue. The neo-liberalist gospel simply told us: “seek profit and the rest will be added unto you.”

Faced with this atrocity, so enthusiastically sustained in recent years, let me quote the greatest mind of the 20th century, Albert Einstein: “The individual is able to think, feel, strive, and work by

himself; but he depends so much upon society—in his physical, intellectual, and emotional existence—that it is impossible to think of him, or to understand him, outside the framework of society”. Moreover, Einstein very presciently argued, “the essence of the crisis of our time concerns the relationship of the individual to society.... His position in society is such that the egotistical drives of his make-up are constantly being accentuated, while his social drives, which are by nature weaker, progressively deteriorate.” (1949).

The neoliberal ideology, in that sense, devoid of scientific content, was rather the standard of political thinking of all those who sought to exacerbate selfish drives –which Einstein spoke of – and tried to eliminate the social drives which are essential for the good living of all, and precisely this is the key idea to understand what guides us towards the new construction of Latin America.

Gunnar Myrdal, after receiving the Nobel Prize in Economics in 1974, said that the Nobel was inappropriate for an area as unscientific as Economics. Myrdal attacked not only the so-called scientific rigor of economics, but also its ethical solvency. Without denying the necessary abstraction and selection in all theorizing processes, he criticized the deliberate and recurrent inclusion of irrelevant factors –*opportunist ignorance*- and the omission of relevant factors –*illegitimate isolation*-

in the process of construction of economic models. Myrdal defined the alleged scientific analysis of the Economy as *spurious objectivity*, as in reality it hides particular views of the world, political values, and interests. Therefore, it is not surprising that he strongly attacked economic technocrats, accusing them of isolating the economic relations from their social context, ignoring social and political variables, and thus serving the prevailing interests. He was fond of saying that in an interdependent social system, there are no economic, psychological, anthropological, or social problems; there are, simply, problems.

Today, we continue to witness the methodological flaws of Economics. Nothing more opportunistic, for instance, than censoring bureaucracies and national governments that, according to “New” Political Economics, influenced by the neoliberal approach, have their own agenda and therefore do not have the right incentives to serve society as they are duty bound. Thus, Bruton held that “the government must be seen as having its own agenda, seeking to maximize its own welfare, and unable and unwilling to take a disinterested and informed stand on economic matters” (Bruton, 1998).

However, the actions of bureaucracy and supranational institutions like the IMF and the World Bank are legitimized, with even less incentives to

benefit countries. On the other hand, what comes to our countries from these institutions as “the” Economic Theory is, at most, the dominant view that responds to views, interests, perceptions, and experiences of hegemonic groups and countries, an opinion far removed from the alleged scientific objectivity of economics. A clear example of this are the structural reforms implemented in Latin America in recent decades, with the goal of paving the way for large transnational corporations, headquartered in economically more advanced countries, to control broad spaces for the manufacturing of goods and inputs, raw materials and even labour, having their States as promoters and guarantors of their interests, and international bureaucracies as their organic intellectuals, dressed as neutral, independent and efficient theoreticians. Efficiency, which they certainly achieved, for the sake of speculative financial capital but to the detriment of human conglomerates, for which they are not only ineffective, but also inhuman and indolent.

Despite the overwhelming evidence that structural reforms stalled the region in terms of production and employment, and exacerbated distribution problems, accentuating the condition of Latin America as the most unequal region in the world, they insist in these recipes, justifying their failure on bad realities, not bad theories, in an impressive case of “illegitimate isolation”.

The arrogance of international bureaucracy and of many scholars attempted to introduce Economics as a positive science, with an alleged general theory, equally applicable to Argentina or Indonesia. This general theory was undoubtedly the Market Theory, with some immanent, but not transcendental criticisms, i.e. criticisms from within the paradigm, and not to the paradigm itself.

The famous “Invisible Hand” of Adam Smith, i.e., the assumption that under certain conditions equilibrium is socially optimal, is the core of dominant economic thinking. As the 1982 Nobel Laureate James Tobin said, “The proposition that the alchemy of market competition transmutes the dross of personal selfishness into the gold of social welfare is still a powerful message in economics classrooms and in political debate.” (Tobin, 1993)

However, here again we see manifest defects, such as “illegitimate isolation”. Only in an idealized world with perfect information, absence of power and private ownership, i.e., with rivalry for consumption and the ability for exclusion, the market reaches the maximization of social wellbeing. But, back to the reality of economic and social processes, where such assumptions are so extreme that they become ideals, or even worse, fancies, the economy that thinks for the market and for those who benefit from it has remained with the assumed –and

perhaps desired- final result. Thus, while the *raison d'être* of exact sciences such as physics is recognizing that the real world is not a vacuum where forces are absent; the dominant economic theory has been keen in convincing everyone that the world works in a social, political and cultural vacuum. Therefore, to paraphrase John Kenneth Galbraith, economic theory has clouded the economists' ability to understand.

Even worse, the free market ideology, with its pseudo-positivism, has in itself several social externalities that go against the rationale of Economic Science. Thus, as argued by Tobin, "it is a rationale for unabashed and unmitigated individualistic selfishness. It assures those who seek. Above else, to accumulate material wealth that they are patriots doing Adam Smith's noble world, promotion of the wealth of nations." (Ibid). The consequences of this legitimization of individual selfishness is perhaps the worst legacy of Neo-liberalism in Latin America, where talking about social responsibility and consciousness became virtually an anachronism, as the gospel of market ensured that in pursuing personal profit, the rational and maximizing individual would be fulfilling his social function. All this has led to the loss of individual values and social cohesion, without which, regardless of the prevailing economic system, no country in the world has developed, which perhaps

constitutes the most pernicious legacy of the long and sad neoliberal night.

The pursuit of social wellbeing means finding the most efficient way to meet individual and social needs, and requires judging and defining such needs. However, the pseudo-positivism of the dominant economic thinking prevents questioning the origin or legitimacy of the needs, i.e. under the premise of the “supremacy of the consumer”, whatever consumers want is what they need, without questioning how those needs were generated, or if they are real needs or mere wishes. Other social sciences such as sociology, social psychology, and anthropology, have much to say on the origin of certain needs, and, proposing mechanisms to control the creation of absurd necessities, they may more efficiently fulfil the goal of economy: human wellbeing.

Finally, to justify individualism and the lack of judgments of value, Market Theory argues that if two rational agents, with adequate information, make a voluntary exchange, both are better off than before –the famous Anglo-Saxon “better off” notion– and therefore, no one has to interfere in such trade. To illustrate the unsustainability of this argument let me give you a simple example. Imagine a poor family that owns a plot of land in the middle of an urban area but it also has a sick child. This family needs money to remove their son’s malign tumour.

A large real estate development company offers money to the family provided the family sells the plot for its big real estate project. For the family, losing the land is a lesser evil than letting the child die. For the company, the land is more valuable than the additional money it would have to pay for the boy's surgery. Thus, according to neoliberal fundamentalism, the two "rational agents" perform the "transaction" and both are "better off", and as it was a voluntary exchange with adequate information, there is no room for a value judgment or the need for a collective action. However, for any fairly ethical individual, this situation is simply intolerable and those who abuse their dominant position must be punished by society, and this is precisely what should happen in any civilized society. The problem then it is not the need to making judgments of value and take collective action, but the absurdity of pretending that scientific positivism is a simple ideology.

In path leading away from simple individual maximization, Amartya Sen, the 1998 Nobel laureate in Economics, proposed "individual freedom as a social commitment." This proposal considers overcoming the view of human beings as strict self-interest maximizers, because, as Sen puts it, that "model" of human beings is depressing and dreary, there is very little evidence that it is a good representation of reality. People are influenced not only by the perception of their own interests, but

also, as Albert Hirschman puts it, by their passions. Indeed, among the things that seem to move people, whether in Prague or Paris or Warsaw or Beijing or Little Rock or Johannesburg, are concern for others and regard for ideas." (Amartya Sen, "Individual Freedom as a social commitment", in the New York Review, July 14, 1990).

On the other hand, Market Theory is limited to the study of production, exchange, and consumption of goods, in other words, goods that can have a monetary value. This has greatly limited the scope of economic analysis. Moreover, the search for more efficient production of goods has destroyed social goods without an explicit price, but unquestionably more valuable and indispensable for development. It comes as no surprise then to hear Facundo Cabral say in his song "My poor employer" that "what matters is not the price, but the value of things."

However, even limiting ourselves to the study of goods, in another case of "illegitimate isolation" we simply forget that monetary values define the assumed intensity of preference for a good, but they also express the creditworthiness of an economic agent. To illustrate this statement, let us assume that an art lover is fascinated by a painting that costs US\$ 1,000, but his monthly income is only US\$ 500. Accordingly, he refrains from buying it. On the other hand, an ignorant person who

cannot even tell if the painting is upside down or not, but who earns US\$ 10,000 a month, buys it on the spot. Did the person who was willing to pay for the painting have more preferences to do so? No, he did not. She only had a greater purchasing power. In the same way, there might be some people that need milk for their children but they lack purchasing power, while others are willing to pay good money for unnecessary jewellery.

In this way, especially in societies with a very poor distribution of income as Latin America, the most ridiculous goods can have high monetary values, not because they are useful but simply because, for consumers with enough income, high prices represent just a small sacrifice. When resources are allegedly allocated to more valuable uses, supposedly guided by their monetary value, aberrations are observed in our countries, where scarce resources are frequently used to produce luxury goods while pressing unsatisfied needs remain. In sum, even within the dominant logic, a market with a very poor distribution of income is simply a disaster.

Finally, regarding the question of value and price, it is appalling to see that such fundamental issues as global poverty can be just a matter of the prevailing economic logic. For instance, countries sharing the Amazon basin are the lungs of the world and they generate a good that is essential for the survival of

all. Still, as this fundamental good is not likely to have a monetary price, these countries remain poor. Probably if developed countries had to compensate the countries of the Amazon basin for the invaluable good they supply, by changing the current economic logic for logic of justice, they would have to spend an amount that would largely eradicate poverty in those countries.

Unfortunately, as they are considered "regulatory", all these notions of compensation, justice, solidarity, etc., should not be treated by Economics, because of the risk of being labelled as unscientific...

The idea that free trade benefits everyone all the time is simply a fallacy or extreme naiveté, closer to religion than science, and cannot withstand a more in-depth theoretical, empirical or historical analysis. Certainly, while adequate specialization and trade among countries with similar levels of development can be of great mutual benefit, trade liberalization at all costs between economies with large differences in productivity and competitiveness represents a serious risk to less developed countries, given the probable destruction of their productive base, and the ensuing destruction of employment, without the ability to create new jobs, all of which constitutes a real social disaster.

Thus, the most likely outcome of an irrational openness is the "specialization" of less developed

economies in natural resource-based goods -the only ones that have "comparative advantage"- and consequently, the reprioritization of these economies and their return to the reviled agro-exporter models of the mid 1950s for the consequences of low development of productive forces, greater concentration of income, greater external dependence, and greater exposure to unequal trade. In the case of Latin America, in the early 2000s, there was already evidence that openness had led to the deindustrialization of the region and to greater difficulties in generating employment in the manufacturing sector (ECLAC, 2002:79). Similarly, the open urban unemployment rate tended to increase in a large group of countries in the region (ECLAC, 2001). As Stiglitz said (2002), "The fact that liberalization all too often failed to live up to its promise – but instead simply led to more unemployment – is why it provokes strong opposition." (Talking about qualitative changes in employment in the region, ECLAC 2002) he adds that "the consequence of shifts in employment, common to most countries of the region, have been a high and rising job insecurity and instability, resulting from high unemployment and mobility between occupations: increasing inequality as a result of changes in earnings between sectors, strata of productivity and skill levels, and exclusion attributable to the lack of quality jobs, low coverage of social protection systems and the increasing precariousness of employment."

While some set out the debate on ideological terms, to justify an uncompromising openness based on very narrow concepts of freedom and the alleged supremacy of consumers, probably the only thing they will get in the long run will be to condemn both consumers and domestic producers to the supremacy of foreign producers. That is, while in theory this kind of schemes benefit consumers in the short term, in the future, both consumers and domestic producers will suffer, simply because, without national production, there cannot be consumption. Few people deny these dangers, but unfortunately many, in a *sui generis* economic reasoning, say that we have to see the "opportunities", not the problems. However, in risk decision-making it is all about probabilities, and to cling to the existence of "opportunities", regardless of the low probability of these, is simply an economic absurdity.

The enthusiasm of advanced countries with "laissez faire" is perfectly understandable. As shown by Chang in his study, a historical fundamental regularity is that countries that have reached their technological frontier, and therefore, are unbeatable in terms of competitiveness, gain with free trade and as a result tend to foster it, obviously, on behalf of "cosmopolitan doctrines" and yet they have used strong protectionism to reach the stellar position. Hence, Joseph Stiglitz (2002), American Nobel

laureate in Economics in 2001, says "do what we did, not what we say," since, as List noted more than a century ago: "Any nation which by means of protective duties and restrictions on navigation has raised her manufacturing power and her navigation to such a degree of development that no other nation can sustain free competition with her, can do nothing wiser than to throw away these ladders of her greatness, to preach to other nations the benefits of free trade, and to declare in penitent tomes, that she has hitherto wandered in the paths of error, and has now for the first time succeeded in discovering the truth" (List, 1885). As modern examples of this situation, referring to the FTAA James Petras points out that "the conclusion is clear: the United States' support to the FTAA is due to the exorbitant profits they derive from free-market policies and the belief that the agreement will consolidate the framework for the continuity of those profits" (2002).

If the enthusiasm of developed countries, particularly the USA, with free trade is understandable, how can we understand the enthusiasm of Latin America's establishment with it? We can develop at least three hypotheses about in this respect, without them being mutually exclusive. Fundamentalists, for whom the free market is almost an end in itself and not the means to achieve development, the incompetent willingness of our national elites and technocrats, incapable of making

a critical appraisal in the face of the ideological bombardment of Washington Consensus policies, and, finally, as always, the existence of winners at the expense of the many losers from free trade.

What all these scenarios have in common is the inability or unwillingness to build real projects in line with the development of our countries, as the United States itself did to face the onslaught of England free currency trade. In fact, Ulysses Grant, U.S. president between 1868 and 1876 who was also a prophet, answering to the claim of free currency traders in England, said that "within 200 years, when America has gotten out of protection all that it can offer, it too will adopt free trade" (quoted in Frank, 1967).

Hence, the hasty adoption of free trade unveiled perhaps the worst crisis in Latin America: the crisis of leaders and true statesmen. We wish that during the days of "free trade", we would have been able to import some. What we must realize is that Latin America must do what developed countries did when they were at our level of development, not what they do now, when they are the world's champions in technology and competitiveness. Will Latin American elites, with their insufferable snobbery, understand this someday? So far they have not. But the peoples of our America have understood. Therefore, it is essential to regain and renew the economic and social thinking in Latin

America. To recognize the social and historical character of economic theory, to overcome the ideology of neo-liberalism that has been the doctrinal umbrella of the great fortunes for tiny groups and the great ruin for our people. To put the challenges of the new century and the ethical, social and political responsibility of the economy in a historical perspective, Economics at the service of man, as stated in the New Constitution of Ecuador, Economics as the theoretical guide for the rational decisions of the 21st century, where life -of humans and other beings- must be the first priority, above the delusional idea that the sum of selfish maximization will achieve the wellbeing of humanity, threatened by the disruption of natural balance, precisely because of maximizing selfishness actions. Economics as an instrument to help overcome institutional and political restrictions at the service of minority power groups that prevent the potential of current technologies developed by men from eradicating hunger, misery and poverty affecting more than 1 billion human beings. Economics as a renewed theory that recovers wellbeing, good living as we Ecuadorians prefer to call it, understood as the primacy of "the best" over "the most", of "harmony" over "progress", of solidarity over selfishness.

Thus, economic theory, as an advancement of thought, for the construction of fair, sustainable, solidarity-based advanced societies, not for the

number of goods they consume per year, but for the quality of life their peoples achieve.

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