

## **Making Resistance Possible: Alternatives to Neoliberalism**

Neoliberal policies which have become ever more prevalent in many part of the world since the 1980s, have resulted in

- privatization of basic services such as the provision of water, health care and education in the name of efficiency<sup>1</sup>, and the resulting “commodification” of those essential services. This has led to increases in the cost of living and growing indebtedness of the ordinary citizen.
- the fencing up of the “commons”, for example land, and knowledge through ever expanding Intellectual Property Rights legislations;
- depression of wages, and the widening of the gap between the top 10% and the rest of the population<sup>2</sup>;
- the dismantling of the safety net that had been set up in the preceding decades;
- economic hardships for the bottom 60% of the population;
- an exponential increase in greenhouse emissions resulting in CO2 level surpassing 400 ppm.

### **Alternatives to neoliberalism**

The alternatives are not difficult to conceptualize. Many of them were implemented in the first 3 decades after World War II. Basically these alternatives require greater state intervention to redistribute the wealth of society in a more equitable manner. They include –

#### ***1. A decent minimum wage.***

At present wages only makes up 33.6% of GDP in Malaysia<sup>3</sup>. Increasing the minimum wages to say RM 1500 from the present RM 900 would benefit the families of the ordinary non-skilled workers. It would also improve the income of the 1 million or so small businessmen and women in this country who stand to benefit from the increase in purchasing power of the population.

#### ***2. De-commodification of Basic Needs.***

Another strategy for redistributing national wealth in favour of the poorer 75% of the population would be to take the provision of basic services – housing, health care, tertiary education, electricity, water, etc out of the market and provide them at subsidized prices through State owned (but democratically controlled and transparently run) entities. This is nothing new for us in Malaysia – our government was doing this quite well in the 1960s and 1970s. This strategy would lessen the economic burden currently borne by the people, and would also augment the domestic market because if people do not have to spend so much on housing or put aside money monthly for their children’s tertiary education, they would have more disposable income.

### **3. Strengthening the safety net.**

**Universal old age pension** for all those aged 65 years and above would do a lot to improve the lives of our senior citizens most of whom now face their 7<sup>th</sup> decade without any savings. Only around 15 % of our elderly receive government pension, and a smaller number are on SOCSO benefits.

The MTUC (Malaysia Trade Union Congress) has been asking our government to implement a scheme guaranteeing **retrenchment benefits** for people who lose their jobs. However this has been buried in study after study, and has yet to see the light of day. Such a scheme would not only be of help to the workers who are laid off, but would also help prevent the over-rapid constriction of aggregate demand in times of recession, as the laid off workers would still be getting some income.

### **4. Progressive taxation**

The rich should be taxed. Poorer families should be spared tax. The government should stop the ongoing reduction of personal income tax and corporate tax<sup>4</sup>. At the very least these should be maintained at current levels until we get the international cooperation that would enable us to increase the rates of these taxes without running the risk of relocation of businesses to neighbours with a lower tax regime. The GST should be withheld. The “Tobin” Tax<sup>5</sup> which taxes financial transactions should also be considered as a means to generate income for the state coffers.

None of these policy options are new. In fact several were implemented in many parts of the world in the 3 decades post World War II but have been rolled back ever since the 1980s. How do we build resistance to the neoliberal onslaught and reverse it? I have a few suggestions.

#### **A. Empower the People**

The activists seeking to re-establish pro-people policies have to understand that the shift from the “Developmental” State of the 1950s and 1960s to the “Neoliberal” State of the 1990s has been caused by a significant shift in the balance of class forces in the world.

The “auto-lysis” (self-destruction) of then existing socialism in the Warsaw Pact countries in the early 1990s, and the opening up of China to capitalism dramatically enhanced the position of the richest 1% in the world because-

- It led to a profound loss of confidence that the global capitalist system could be challenged. People began doubting that there could be a credible alternative. Thatcher’s “There is no alternative” seemed to be self-evident.
- Industrial capitalists battling organized labour in the advanced countries outsourced production to China, Vietnam and Eastern Europe. This greatly reduced the bargaining power of the working people in the advanced countries, and forced the weakened unions to accept lower terms of employment because the alternative would have been further losses of jobs.

- The loss of thousands of well paying industrial jobs and the migration of industrial production to lower wage countries reduced the tax base for the advanced countries and this led to budget deficits. The evolution of an international financial order that allowed the off-shoring of corporate “headquarters” to obscure tax havens further aggravated the budget deficit. This in turn led to pressure to reduce the welfare budget.
- Developing countries began a “race to the bottom” in their efforts to attract Foreign Direct Investment. Labour and environmental standards were sacrificed in the mad scramble to attract investors.
- All over the world pro-corporate policies were adopted.

Once one accepts that the increasing dominance of the richest 1% over the rest of society is the main driver of the neoliberal onslaught, then it is obvious that empowerment of the 99% is one of the main strategies that we need to use to reverse neoliberalism.

### **B. Put forward our Alternative Vision for the World**

Many in the 99% despair because they have bought the analysis given by the neoliberal spokesmen. Many have come to believe that Margaret Thatcher is right – there is really no alternative. Neoliberal dogma holds that:

- the market mechanism is the most efficient provider of goods and services in society as the competition between different providers<sup>1</sup> will drive down costs and constantly improve the quality of goods and services provided. Thus, it will lead to the most cost-effective provision of these services. The provision of these services by the public sector is (according to the proponents of neoliberalism) inefficient and slow because of the bureaucratic nature of government.
- private sector providers who are driven by the profit motive will perform much more efficiently than government employees whose monthly incomes are not dependent on customer satisfaction<sup>6</sup>.
- the proper role of government is to establish standards and the regulatory framework<sup>6</sup> for the network of private providers of goods and services. Direct provision of services by the government “distorts” the market for that service and thus causes inefficiencies. The government should therefore divest itself of the provision of services to the public.
- too elaborate a safety net is bad for the nation. For it requires a large budget which then translates to higher taxes on businesses and entrepreneurs. These taxes reduce the funds available to entrepreneurs to upgrade and improve their services as well as their motivation to earn more income by expanding their provision of services. At the same time, the provision of too much welfare benefits creates a dependent mentality in the poorer half of society who over time come to expect a “free lunch” as their birth right. It encourages laziness and is bad for national productivity.
- society needs tougher Intellectual Property Protection laws. Otherwise innovations will dry up and we will all suffer.

All these ideas are not true. We need to debunk them and make people see that there are alternatives to the model of creating a society based on human greed cut-throat competition. A better world is indeed within our grasp. We just need to get together to work towards it.

**C. Allay the fear of the 99% that their political and civil liberties are at stake.**

The neoliberal propaganda machine has managed to convince a large section of the population that provision of basic services by the state would create huge bureaucracies and pave the way to authoritarian rule. The state of affairs within the USSR in the 20<sup>th</sup> century is used as a cautionary example. We need to explain that there are many effective ways to democratize the management of public utilities including

- having provisions for the periodic election of members of the general public as well as workers in these utilities into the management boards of the utilities,
- ensuring transparency in the management of these utilities;
- having provisions for annual wealth declarations by the people in position of power;
- enforcing strict term limits for public office;
- establishing an effective ombudsman mechanism.

And we have to show that we mean what we say by studiously observing best democratic practices in our institutions and the mass movements that we are associated with<sup>8</sup>.

**D. Place the entire debate within the context of Climate Change**

Carbon dioxide levels have exceeded 400 ppm. Climate change is a reality. The world has to find ways of meeting the needs of all its inhabitants without further increasing CO2 emissions. The economic imperative to keep growing ceaselessly would be suicidal<sup>9</sup> for the human race! We need to think of a society that is not fixated on constantly growing the GDP.

We need a new paradigm of development that is based on solidarity among men and with the environment. And it is through praxis that we can define that new vision more clearly. So let's go back to the people and help them stand up for their rights and fight attempts to impoverish them. Let's build a broad-based, democratic and inclusive peoples movement to reclaim our future<sup>7</sup>.

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## Notes

1. However in practice, privatization in Malaysia has produced large monopolies. For example in the health care sector, the support services (laundry, clinical waste disposal, housekeeping, maintenance of medical equipment, and building maintenance) for government hospitals throughout the country were divided out to 3 companies following 3 zones. The screening of foreign workers was given exclusively to Fomema. So the story of healthy competitions driving down costs isn't true at all.
2. Good data for this phenomenon in Malaysia given in Muhammed Abdul Khalid's book *The Colour of Inequality* (MPH Publishing)
3. The Star, 8/9/2014, Pg 12. Quoting the preliminary report of the 2014 Household Income Survey done by the government.
4. Now pegged at 25% in Malaysia for the top range for individuals and for corporate profits.
5. James Tobin, a Nobel Prize laureate suggested a 0.5% tax on all foreign exchange transactions. That may be too large a rate. Even a tenth of that rate would generate a lot of income for the State. However it is something that has to be implemented in all countries. Otherwise traders will just shun the Forex market of the countries that implement this tax.
6. This is a very economic conception of human being. It completely ignores the fact that people are driven by many motivations including altruism, the satisfaction in completing a task successfully and the need to excel.
7. The high probability of regulatory capture by large corporations is not even recognized let alone addressed.
8. Marta Harnecker's *Rebuilding the Left* (Daanish Books, India) is a must-read for all serious activists who wish to combat neoliberalism. Harnecker is a Chilean sociologist who has lived in Venezuela for several years.
9. See Naomi Klein. *This Changes Everything*. (Penguin Books)