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Neo-liberalism, Poverty and Social Protection



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Neo-liberalism, Poverty and Social Protection

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1.

The title of the discussion paper highlights three different but interrelated ideas or concepts. Neo-liberalism is the dominant and perhaps one of the most hegemonic ideology of the time propagated and imposed by the International Financial Institutions backed the rich and powerful countries of the Global North. Poverty is a phenomenon- consequence of various 'causes' while perceived as a crude socio-economic reality. Social protection is meant as a set of state sponsored programs to protect the poor from being further marginalized. Today's discussion is centered on these three concepts as development debates and discussion in Bangladesh always moves around these three particular issues. Even almost all state sponsored poverty-eradication programs could be seen or analyzed from these three different aspects. Moreover, for a comprehensive and critical understanding of the poverty generating mechanisms and poverty elevation initiatives in Bangladesh, it seems to be highly important to understand the inter-relationships between these three processes.

The proposition must be in place at the very outset. It's very simple and straightforward: Implementation of policies, programs and projects generally emanated from the neo-liberal ideological framework has created poverty and to contain the increasing rate poverty and vulnerability of the poor calls for implementing various state-sponsored Special Programs commonly branded as "social safety net". However, poverty and vulnerability are on the rise, despite noble intentions of social safety net programs to do good for the poor.

2.

The economy of Bangladesh has been exposed a good many characterization: from the bottom at the least development country (LDC) league to the role of "champion performer among the LDCs", from "the margin of history to the whirlpool of the history", the "quiet transition" to the stage of sustained and higher growth, the "silent ascent" to moderate Muslim democracy with progressive phase of social development, the graduation from "test case to medium human development league", a "passage to modernity". However, the indicators of economic and social progress, nevertheless, falls short of the verdicts of the enthusiastic commentators: nearly one fourth of the populations still live below the poverty threshold, and its per capita income is still among the lowest in the world.

According to official statistics (BBS: 2006), Bangladesh has a total population of 137.3 million with 70.04 million (51.01%) male and 67.25 million (48.99%) female. The latest Labor Force Survey (2006) shows that the “economically active population” (15 years and above) has increased from 36.1 million in 1996 to 49.5 million in 2006. Although the current crude unemployment rate is 4.2%, the underemployment rate is about six times higher (25%) than the unemployment rate. Agriculture sector accounts for the largest share of employment (48.1%), although it contributes only 15% of Gross Domestic Product (GDP). The decreasing rate of Agriculture sector’s contribution to GDP with high concentration of labor force essentially establishes the fact that the poverty/vulnerability, unemployment/underemployment etc. are on rise in rural areas and people find very little opportunities for livelihood. The decreasing rate of Agriculture sector’s contribution to GDP with high concentration of labor force essentially establishes the fact that the poverty/vulnerability, unemployment/underemployment etc. are on rise in rural areas and people find very little opportunities for livelihood.

As a matter of fact, agricultural workers are leaving a life of rural poverty in the hope of finding something better in the urban areas. The non-farm informal sector provides a livelihood for those who leave agriculture, but do not find employment in the formal sector. In Bangladesh the share of informal sector (including agriculture) in total employment increased from 75.32% in 2000 to 78.48% in 2006. The enhanced employment share reflects in part, the fact that the informal sector is a “*refuge sector*” for those who failed to get absorbed in other sectors. A large proportion of the poor are now concentrated in this sector.

One of the major shortcomings to date is the failure to make growth processes sufficiently pro-poor. Data from Household Income and Expenditure Surveys show sizable poverty reduction over the last 15 years (between 1991 to 2005) and more recently between 2000 and 2005. But even after 38 years of its independence, 40% people are poor and 25% are hardcore poor and this later group live with earning less than Taka 16-22 only. In addition, the persistence of disparity is eating up the prospect of both economic growth and stability. The share of the poorest quintile in both national income and consumption has been reduced over the years, which shows that the poor are not benefiting greatly from the growth process. The lower 5% of the population receives 0.77% of total income which is down from its previous level of 0.93% in 2000. As a matter of fact, Bangladesh is now home to 35 million extreme poor living with low levels of income and consumption, suffering from lack of access to basic services like education, health, safe water and sanitation, low levels of land ownership etc. This is simply the result of development strategies Bangladesh has been pursuing over the last two decades starting from early ‘90s. It is fundamentally premised on the neo-liberal ideology propagated and made conditional by the powerful Financial Institutions such as WB and IMF.

3.

"Neo-liberalism" refers to a set economic policy that has become widespread during the last three decades starting from so-called (in) famous Regan-Thatcher era (from early '80s or so). "Neo" means we are talking about a new kind of liberalism. The "old" liberal school of economics became famous in Europe when Adam Smith, an English economist, published a book in 1776 called *The Wealth of Nations*. He and others advocated the abolition of government intervention in economic matters. No restrictions on manufacturing, no barriers to commerce, no tariffs, he said; free trade was the best way for a nation's economy to develop. Such ideas were "liberal" in the sense of no controls. This application of individualism encouraged "free" enterprise, "free" competition -- which came to mean, free for the capitalists to make huge profits as they wished.

Economic liberalism prevailed in the United States through the 1800s and early 1900s. Then the Great Depression of the 1930s led an economist named John Maynard Keynes to a theory that challenged liberalism as the best policy for capitalists. He advocated that full employment is necessary for capitalism to grow and it can be achieved only if governments and central banks intervene to increase employment. These ideas had much influence on President Roosevelt's New Deal -- which did improve life for many people. The belief that government should advance the common good became widely accepted. But the capitalist crisis over the last few decades, with its shrinking profit rates, inspired the corporate elite to revive economic liberalism. That's what makes it "neo" or something "new". Now, with the rapid globalization of the capitalist economy, we are seeing neo-liberalism on a global scale.

The central message of this neo-liberal creed is that: the free market should regulate all economic activities; the states should intervene to maintain fiscal discipline, attain a stable rate of exchange, liberalize, deregulate, privatize the economy, as well as to make employment flexible, as the only way to gain access to credit and attract foreign investment. In essence, Neo-liberalism asks us to see society from the eyes of "market", not the other way round. In the neo-liberal framework, society is always at the service of market. That's why it is called a "market-fundamentalism".

The fact is that the neo-liberal creed is completely divorced from the reality as it does not take into account the specific socio-economic and political circumstances of any given country. The ideology, strategies, and programs, such as SAP, offer the "technocratic" solutions to economic problem let alone the poverty situation of developing countries. The institutions, structure and process that creates and sustains poverty is consciously ignored by the neo-liberal pioneers and practitioners. The blanket privatization, deregulation, liberalization, and competition do not automatically yield prosperity and wellbeing for the nations. Numerous examples could be drawn from countries where SAPs have been implemented to refute the claims of the dominant ideology. Evidences suggest that the gap between the rich and the

poor, between and within the nations have widened in an unprecedented scale.

The fundamental problem with the neo-liberal prescriptions is its misconception about social relations and process and misreading on history. It is important to understand that nothing can mask the structural reality of poverty and the unequal structural relations that deny the poor people access to resources. In this backdrop, it is natural that increased international trade, privatization and liberalization of economies are resulted in the gradual and persistent impoverishment of developing countries, and the burnt of which falls on the poorer sections of the society.

4.

The idea and practice of so-called social safety net has been popularized during the last couple of decades. It has now become a “supplementary” of the neo-liberal package to contain poverty helping poor through giving different kinds of both cash and non-cash hand-outs. In Bangladesh, these are manifested in almost every year’s budget under the title of Social Safety Net allocation. And mainstream intellectuals and politicians judge the merit of the budget exclusively focusing on the allocation pie on this particular sector without raising any fundamental question related to the incremental rise of this sector. The gradual increase of Safety net programs essentially unmasks the truth never told by the state or pioneers of the neo-liberal orthodoxy. The truth is very simple: the economic policies characterized by privatization, deregulation, liberalization etc. have not brought about any significant changes in the lives and livelihoods of the poor. Rather they are continuously being kicked out from the “highway” of economic development and that safety net programs are trying its best to put them on track. But unfortunately they are showing the signs of failure as the process of being kicked out are still prevalent and the budget allocation is on rise. It would be very difficult to show a single instance that marginal people have got back on track being benefited from the Safety net program. Rather the whole Safety Net regime has successfully made people depended upon the state and consequently made them political clients giving a birth a modern form of patron-client relationship in the social and political sphere.

Unfortunately, often the idea of Social Protection and social safety net are viewed as same. But the fact is that social protection is a wider safety net that protects everyone in the society from all unfair and unjust conditions in life. It protects the people from the neo-liberal economic and political systems in all situations. It includes a combination of tools, schemes, policies, laws which guarantees work security, economic security, health security, equality, freedom and dignity. Social protection is a ‘basic right for all individuals’. Social protection is ensured through social security, social benefits, health insurance, public services, labor laws and other policies. No matter the level of economic development, social protection is becoming an important issue that needs policies and programs from governments in all countries.

Social protection presents a variety of instruments to be put in place to reduce the risk of population, particularly of the poor. The long-term solution lies on the good social, economical and political development decisions that address the causes of vulnerability and reduction of the effect of risks.

In essence, the fundamental spirit of the idea of Social Protection vehemently challenges the very neo-liberal foundation that denounces the rights of the people by putting "profit" before it. It calls for rethinking the whole domain of economic relations and role of the state to provide essential services to its citizen.

5.

The utter failure of neo-liberalism is now evident even in the Global North. The Golden era of Thatcher -Reganism is over. Now it's Obama's turn to correct the mistakes made by his political predecessors. Would the Global North and their leaders respond to the need of the time? Will they be agreeing to put people before profit? Perhaps, the answer is "yes"- not because they want to, but because they have to.

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