

The neoliberalism and interventionism false dilemma

Similar to how conductors direct orchestras, governments can build bottom-up processes of improvisation and creativity

BY YUEN YUEN ANG

To intervene or not to intervene. That has been a central debate about the state's role in the economy at least since the 18th century. Over the past 40 years, the US and other Western liberal democracies have championed free markets, free trade and a limited role for government — a stance known as neoliberalism or “market fundamentalism.”

To some commentators, the recent passage of the US' Creating Helpful Incentives to Produce Semiconductors and Science Act and its Inflation Reduction Act — US President Joe Biden's two signature industrial policies — marks the end of neoliberalism and the reemergence of interventionism as the dominant paradigm.

However, this is a false dichotomy. Governments are not limited to a binary choice between *laissez-faire* and top-down planning.

A third option, long-neglected by policymakers and economists, is for governments to direct bottom-up processes of improvisation and creativity, akin to the role of an orchestra conductor. One can find plenty of examples of this in China and the US.

Neoliberalism emerged as the dominant policymaking paradigm in the West in the 1980s. Under then-US president Ronald Reagan, the US pursued deregulation, cut taxes and slashed welfare programs. Government intervention, the thinking went, inevitably leads to policy distortions, dependence on state handouts and corruption.

As Reagan famously put it in his first inaugural address, “government is not the solution to our problem. Government is the problem.”

Soon after, neoliberalism turned global. Under the “Washington Consensus,” a term coined by economist John Williamson in 1989, the US-dominated IMF and World Bank pressured developing countries to embrace deregulation, privatization and free trade.

One policy prescription favored by policymakers and economists was “secure property rights,” which spawned a cottage industry of studies showing the link between such rights and economic growth.

The implication was that all it took for countries to prosper was to leave markets to private entrepreneurs. State intervention was unnecessary, if not downright harmful.

However, not all developing countries went along. In defiance of Western prescriptions, Japan and the four “Asian Tigers” — Taiwan, Hong Kong, Singapore and South Korea — opted for massive government intervention.

By crafting long-term plans,



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investing in public infrastructure, and selecting and promoting potentially successful industries with favorable policies, they all achieved extraordinary economic growth from the 1960s to the 1990s.

Proponents of the model underlying the East Asian “miracle” criticized the Washington Consensus for ignoring the indispensable role of governments in late-developing economies.

The ideological pendulum has swung back and forth ever since. Neoliberals briefly had the upper hand following the 1997 Asian financial crisis, which was widely blamed on state intervention.

However, the tide began to turn after the 2008 financial crisis. In the face of rising inequality, the COVID-19 pandemic and competition from

China, a growing number of politicians and advisers argue that the West should follow in Asia's footsteps and enact industrial policies.

What is missing from the debate is the third path, which I call “directed improvisation.”

As I chronicle in my book *How China Escaped the Poverty Trap*, China's economic reforms from the 1980s to 2012 illustrate this hybrid role.

Directing involves coordinating and motivating a decentralized network of creative actors, discovering — but not pre-determining — successful outcomes, and making ample use of experimentation and bottom-up feedback.

China's economic boom is often credited to top-down planning by a strong government.

If authoritarianism and central

planning were the answer, China would have prospered under former Chinese leader Mao Zedong (毛澤東).

When former Chinese leader Deng Xiaoping (鄧小平) succeeded Mao in 1978, he quietly revolutionized China.

The central government switched from dictator to director, articulating clear national goals and establishing appropriate incentives and rules, but also empowering subnational governments to improvise development strategies according to local conditions and needs.

Reflecting Deng's pragmatism, the Chinese system was a melange of multiple — sometimes contradictory — elements, including Asian-style developmentalism and Western-style liberalization.

The underlying order was

the seemingly paradoxical combination of direction and improvisation.

As a Chinese saying puts it, the central government sets the stage and local governments perform the play.

The result has been a diversity of regional “China models” operating simultaneously within the larger Chinese system.

For example, while Zhejiang and Jiangsu provinces are industrial powerhouses, the private sector plays a stronger role in Zhejiang's economy, whereas Jiangsu relies on a more interventionist model.

The US government's role in supporting innovation, which sociologists Fred Block and Matthew Keller called “coordinated decentralization,” is another example of directed improvisation.

In the mid-20th century, the US fostered a decentralized network of inventors, companies, universities and labs engaged in cutting-edge scientific research. It neither left them to their own devices nor told them what to do.

Instead, it coordinated knowledge sharing, helped identify opportunities to commercialize discoveries and provided seed funding, which created the conditions for the information and communication technology revolution.

However, this success is barely known to the public, because — as Block and Keller explained — it “does not fit with the claims of market fundamentalism.”

Governments' ability to direct creative processes is more critical at the innovation-driven stages of development than at the early stages of mass industrialization.

As an economy becomes more complex and technologically advanced, it becomes harder — perhaps even impossible — for governments to pick winners.

Innovation is inherently uncertain. In the 1990s, for example, few would have thought that an online bookstore would one day become a dominant global retailer.

Policymakers are reluctant to talk about creativity. They would rather talk about markets or plans than acknowledge that innovation is necessarily a creative process with uncertain outcomes.

However, while governments cannot control this process, they can direct and influence it.

To do so, policymakers must first abandon the false dichotomy of neoliberalism versus interventionism.

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THE NEW WORLD ECONOMY

BY JEFFREY D. SACHS

The US needs a new foreign policy approach

ELEM, BRAZIL

US foreign policy is based on an inherent contradiction and fatal flaw. The aim of US foreign policy is a US-dominated world, in which the US writes the global trade and financial rules, controls advanced technologies, maintains military supremacy and dominates all potential competitors. Unless US foreign policy is changed to recognize the need for a multipolar world, it could lead to more wars and possibly World War III.

The inherent contradiction in US foreign policy is that it conflicts with the UN Charter, which commits the US — and all other UN member states — to a global system based on UN institutions in which no single country dominates.

The fatal flaw is that the US comprises just 4 percent of the world's population, and lacks the economic, financial, military and technological capacities, much less the ethical and legal claims, to dominate the other 96 percent.

At the end of World War II, the US was far ahead of the rest of the world in economic, technological and military power. This is no longer the case, as many countries have built their economies and technological capacities.

French President Emmanuel Macron spoke the truth when he said that the EU, although an ally, does not want to be a vassal of the US. He was widely attacked in the US and Europe for uttering this statement, because many mediocre politicians in Europe depend on US political support to stay in power.

In 2015, former US ambassador and deputy national security adviser Robert Blackwill described the US' grand strategy with exceptional clarity. “Since its founding, the United States has consistently pursued a grand strategy focused on acquiring and maintaining preeminent power over various rivals, first on the North American continent, then in the Western hemisphere, and finally globally,” he wrote.

“Preserving US primacy in the global system ought to remain the central objective of US grand strategy in the twenty-first century,” he added.

To sustain US primacy vis-à-vis China, Blackwill laid out a game plan that US President Joe Biden is following.

Among other measures, Blackwill called on the US to create “new preferential trading arrangements among US friends and allies to increase their

mutual gains through instruments that consciously exclude China,” “a technology-control regime” to block China's strategic capabilities, a buildup of “power-political capacities of US friends and allies on China's periphery” and strengthened US military forces along the Asian rimlands despite Chinese opposition.

Most politicians in Australia, the EU, Japan, South Korea, New Zealand, the UK and the US support the US' aggressive approach. I do not. I view the US approach to China as contrary to the UN Charter and peace.

China has the right to prosperity and national security, free from US provocations around its borders. China's remarkable economic accomplishments since the late 1970s are wonderful for China and the world.

During the century from 1839 to 1949, China was driven into extreme poverty in a period marked by European and Japanese invasions, and civil wars. Britain invaded in 1839 to force China to buy its addictive opium. Other powers piled on during the following century. China has finally recovered from that disastrous period, and has ended the poverty of about 1 billion people.

China's new prosperity can be peaceful and productive for the world. Its successful technologies — ranging from vital cures for malaria to low-cost solar power and efficient 5G networks — can be a boon for the world.

China would only be a threat to the extent that the US makes China an enemy. US hostility to China, which mixes an arrogant US aim of dominance with long-standing anti-Chinese racism dating back to the 19th century, is creating that enemy.

The dangers of US foreign policy extend beyond China. The US goal to expand NATO to Ukraine and Georgia, thereby surrounding Russia in the Black Sea, stoked Russia's invasion of Ukraine.

Countless nations see the danger of this approach. Major nations from Brazil to India and beyond aim for a multipolar world. All UN member states should recommit to the UN Charter and oppose claims of dominance by any nation.

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Tyranny's propagandists are winning

Independent and free press is essential to democracy, but it needs financial support

BY MARIA RESSA AND NISHANT LALWANI

If democracy had a doomsday clock, it would be at two minutes to midnight. Recent analysis by Varieties of Democracy showed that 72 percent of the world's population lived in autocracies last year, compared with 50 percent a decade ago.

For the first time in more than two decades, there are more authoritarian regimes than liberal democracies — and not enough is being done to address this threat.

The reversal has been stunning. Philippine President Ferdinand Marcos Jr won last year's presidential election, 36 years after a popular revolt overthrew his father's dictatorship. In Brazil, millions still refuse to accept former Brazilian president Jair Bolsonaro's defeat to Brazilian President Luiz Inacio Lula da Silva.

Russia's invasion of Ukraine

has forced its citizens to rise up against a genocidal occupier. In Egypt, the last vestiges of resistance to autocracy have been forced into the shadows.

On every continent, illiberal politicians are portraying democracy as an impractical historical relic.

More must be done to stop this rapid democratic backsliding. During World War II, when democracy was similarly threatened, the free world came together to create a more peaceful international order.

The multilateral system that was established in 1944 at Bretton Woods, New Hampshire, and by the creation of the UN the following year, led to decades of relative stability and international cooperation on human rights.

The world is at a similar moment today — with an important twist. The conflict between autocracy and democracy is fought not only on the battlefield

and in the political arena, but also on social media and broadcast television. If democracy is to prevail, credible, independent news media is essential.

Without trusted, impartial media, we cannot have shared facts. Without shared facts, we cannot have political accountability or fair elections. Without fair elections, democracy cannot survive.

However, just when it is most needed, fact-based, public-interest journalism is dying out.

The ongoing demise of advertising revenue has severely limited news outlets' ability to inform citizens, hold the powerful to account and tell important stories.

The failure of journalism's business model has led to two decades of collapsing revenues, cost cutting and layoffs.

Thousands of news organizations across the world have shut down, while political actors have

acquired others as a vehicle for spreading propaganda.

China has spent an estimated US\$6.6 billion since 2009 on strengthening its international media influence, and Russia spent at least US\$1.5 billion last year on similar efforts.

International efforts to support independent journalism have been paltry in comparison.

A forthcoming report by the Center for International Media Assistance shows that such funding amounted to US\$385 million in 2019 — about 0.3 percent of overseas development assistance.

This is woefully insufficient. Public and private funders must increase support for media organizations to at least 1 percent of global development assistance, providing an additional US\$1 billion per year to support public-interest journalism.

The defining challenge of our time, saving democracy, must be a collective effort.

On March 30, US President Joe Biden's administration held its second Summit for Democracy, which aimed to make democracies “more responsive and resilient.”

The first summit took place online in December 2021 and ended with several heads of state — including Biden, then-New Zealand prime minister Jacinda Ardern and French President Emmanuel Macron — committing to provide support to the International Fund for Public Interest Media (IFPIM).

IFPIM is a first-of-its-kind multilateral institution seeking to boost the economic resilience of news outlets, and usher in a new paradigm for public-interest journalism within the next decade.

IFPIM has received financial contributions of almost US\$50 million from 16 donors, including seven governments and nine firms and philanthropies.

Many of those funders are

contributing meaningfully to global media for the first time. Since the last summit, IFPIM has funded 11 news outlets in 10 countries, including Brazil, Colombia, Niger, Tunisia and Ukraine.

However, those funds are still only a fraction of the billions of US dollars autocrats spend on strengthening their networks for disseminating disinformation.

This year, democratic states must step up and commit significant funds to scale up the support for independent media.

Wealthy democracies that have long understood the importance of a free press, such as G7 countries, must mobilize their resources to support the creation of a global information ecosystem that is more resilient to disinformation.

Private firms, which rely on accurate information to thrive, must take a prominent role in this effort by committing capital to fix

the market failure that has weakened public-interest journalism.

Support for public-interest media is not nostalgia for some halcyon era. The ability to access real-time, accurate information is essential to a well-functioning democracy.

To defend against the rising tide of authoritarianism, fact-based news must be readily accessible to all. Liberal democracy's doomsday clock is edging closer to midnight. Action is needed to prevent a long tyrannical darkness.

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