

Neoclassical Economics and Neoliberalism as Neo-Imperialism

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A Poem Capturing the Essence of Neoclassical
Economics, Neo-liberalism and Imperialism

Those who take the meat from the table,
teach contentment.
Those for whom the taxes are destined,
demand sacrifice.
Those who eat their fill, speak to the hungry,
of wonderful times to come.
Those who lead the country into the abyss,
call ruling too difficult,
for ordinary folk.

(Bertolt Brecht)

What is Imperialism?

- “If it were necessary to give the briefest possible definition of imperialism we should have to say that **imperialism is the monopoly stage of capitalism**. Such a definition would include what is most important...”
- “But very brief definitions, although convenient, for they sum up the main points, are nevertheless inadequate, since we have to deduce from them some especially important features of the phenomenon that has to be defined.”

(V.I. Lenin, Imperialism The Highest Stage of Capitalism”)

Defining Features of Imperialism

- “And so, without forgetting the conditional and relative value of all definitions in general, which can never embrace all the concatenations of a phenomenon in its full development, we must give a definition of imperialism that will include the following five of its basic features:
 - (1) the concentration of production and capital has developed to such a high stage that it has created monopolies which play a decisive role in economic life;
 - (2) the merging of bank capital with industrial capital, and the creation, on the basis of this “finance capital”, of a financial oligarchy;
 - (3) the export of capital as distinguished from the export of commodities acquires exceptional importance;
 - (4) the formation of international monopolist capitalist associations which share the world among themselves, and
 - (5) the territorial division of the whole world among the biggest capitalist powers is completed.

(V.I. Lenin, “Imperialism The Highest Stage of Capitalism”)

Imperialism is a System and Not Simply a Set of Policies

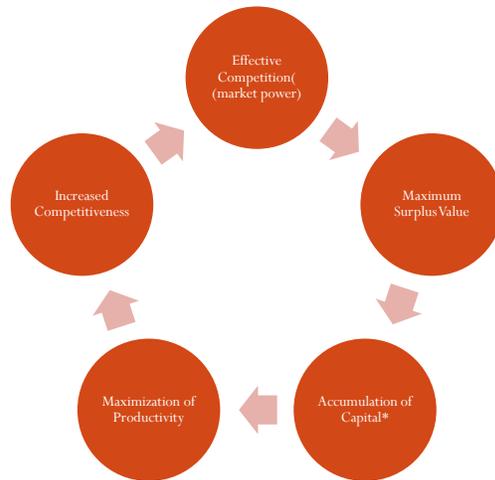
“In the matter of defining imperialism, however, we have to enter into controversy... The fundamental ideas expressed in our definition of imperialism were very resolutely attacked by Kautsky... when he said that imperialism must not be regarded as a “phase” or stage of economy, but as a policy, a definite policy ‘preferred’ by finance capital;“

(V.I. Lenin, Imperialism: The Highest Stage of Capitalism)

**"Money to Get Power.
Power to Protect Money"**

Slogan of the Medici Family

The Core Imperatives: “Logic” of Capitalism and Imperialism



Imperial Superstructure

“The non-economic superstructure which grows up on the basis of finance capital, its politics and its ideology, stimulates the striving for colonial conquest. “Finance capital does not want liberty, it wants domination,” as Hilferding very truly says. “

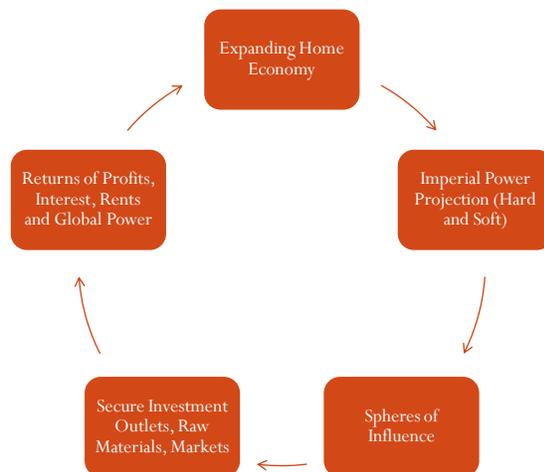
(V.I. Lenin Imperialism The Highest Stage of Capitalism)

Imperial Overreach and the Global Decline of America

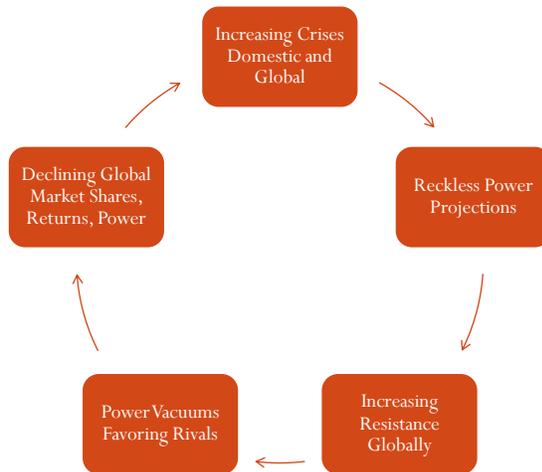
"Our power, then, has the grave liability of rendering our theories about the world immune from failure. But by becoming deaf to easily discerned warning signs, we may ignore long-term costs that result from our actions and dismiss reverses that should lead to a re-examination of our goals and means."

(Republican Congressman Henry Hyde)

Imperial Expansion Spiral



Imperial Overreach and Decline



Pillars of Neo-liberalism

- Fiscal Policy discipline;
- Redirection of public spending from subsidies ("especially indiscriminate subsidies") toward broad-based provision of key pro-growth, pro-poor services like primary education, primary health care and infrastructure investment;
- Tax reform – broadening the tax base and adopting moderate marginal tax rates;
- Interest rates that are market determined and positive (but moderate) in real terms;
- Competitive exchange rates;
- Trade liberalization – liberalization of imports, with particular emphasis on elimination of quantitative restrictions (licensing, etc.); any trade protection to be provided by law and relatively uniform tariffs
- Liberalization of inward foreign direct investment;
- Privatization of state enterprises;
- Deregulation – abolition of regulations that impede market entry or restrict competition, except for those justified on safety, environmental and consumer protection grounds, and prudent oversight of financial institutions; and,
- Legal security for property rights.
- Restraint on Unions and Unionization
- Tight Money Policies (anti-Inflationary even at expense of higher unemployment)

Pillars of Neoclassical Economics

- **The first meta-axiom of neoclassical economics: methodological individualism**
- **The second meta-axiom of neoclassical economics: methodological instrumentalism**
- **The third meta-axiom of neoclassical economics: methodological equilibration**
- Source: Arnsperger, Christian and Varoufakis, Yanis, "What is Neoclassical Economics?", Post-autistic Economics Review Issue 38, July 2009

Methodological Individualism

- Individual (buyer, seller, owner) is the focus of all analysis;
- Whole (Macro) = Sum of its parts; Micro → Macro;
- Strict Separation of Structure from Agency: Micro → Macro but no concept of Macro → Micro;
- Form of "methodological reductionism" or the notion that all large entities may be explained by reference to smaller ones;
- No place for social class, race, ethnicity, gender, history, state of society or type of system in decision making;
- Collective action is simple aggregation of actions of "rational" utility-maximizing individuals.

Methodological Instrumentalism

- All human behavior is preference driven with all preferences reduced to ultimate goals of utility maximization and minimization of pain, costs, uncertainty and risk;
- Homo Oeconomicus Model (Evolving)
 - a) Perfectly Rational to Bounded Rational
 - b) Maximizer now Satisficer of Total Utility and Profits; calculates on the margin to maximize in Toto
 - c) Preferences: given Exogenous; now adaptive Endogenous
 - d) Egoistic or Self-interested and competitive Individual
 - e) Preferences independent of influence of others or contexts now, via Game Theory, allows adaptation to past outcomes and context.
 - f) From perfectly informed on all information necessary for rational choice to asymmetric information
 - g) from pure competition to imperfect competition

Methodological Equilibration

- Axiomatic imposition of equilibrium as focus of analysis
- Questions about how, how likely equilibrium could occur in the real world never dealt with. Equilibrium merely and summarily asserted as neoclassical theory cannot demonstrate how some equilibrium could/would naturally occur out of competitive interactions of the instrumentally rational choices of “economic agents”.
- Economy can be analytically detached and analyzed independent of the other dimensions of society (pure Economics instead of Political Economy)
- Economy as a Morphostatic and not Morphogenetic system.
- Equilibrium focus has rhetorical intention. (Who goes to the psychiatrist looking for more disequilibrium in their lives?)

Source Henderson, Hazel, <http://www.hazelhenderson.com/visual.html>; reprinted under Fair Use Doctrine)

Two Major Types of Cybernetic Systems

STABLE, EQUILIBRIATING SYSTEM

Morphostatic, structurally stable

E.G.: Thermostat-controlled mechanical system



System internally dynamic, but stable structure maintained and governed by *negative* feedback loops

UNSTABLE, DIS-EQUILIBRIUM SYSTEM

Morphogenetic, evolving new structure

E.G.: Living, biological systems, human societies



System internally dynamic and structurally dynamic governed by *positive* feedback loops, which amplify small changes into unpredictably large changes which can alter the whole system

Rhetoric of Neoclassical Economics

- “However, since 1870, triumphant marginalism has set itself the task of working out an economic science that is ‘pure’, or, more precisely, independent of all other social sciences. This ‘pure’ economic science must necessarily be a historical, since the laws it seeks to discover have to be true whatever the economic and social system may be. Abandoning the universal outlook of Marxism, breaking down the bridges that the latter had laid between the various branches of social science in its attempt to explain history, neoclassical economics was led to become, first and foremost, an algebra of logical deductions from a certain number of axioms based on a sketchy psychology of ‘eternal man’.” (Samir Amin, Accumulation on a World Scale, p. 5)

How is Neoclassical Economics Used in Service to Imperialism?

- Analysis free of history, class, race, ethnicity, gender, and power (the real world)
- Focus on human's relations with things (Scarcity v Wants) and not on human relations among themselves in the course of producing and distributing means of subsistence
- Focus on mythical equilibrium in a system doomed to chronic disequilibrium, crises and eventual implosion
- All exchanges assumed by Neoclassicals and Neoliberals to be voluntary and mutually beneficial otherwise would not have occurred; whereas imperialism is all about unequal and involuntary exchanges and outright plunder—all assumed away a-priori
- Ideology of universal harmonies based on mere tautologies with real world forms of exploitation defined or assumed away.
- Hypothetico-deductivist; anti-empirical
- Bad career move for economists who reject it; Dominant Paradigm

Early 20th Century Imperialism: “Gunboat Diplomacy”

- "I spent 33 years and four months in active military service and during that period I spent most of my time as a high class muscle man for Big Business, for Wall Street and the bankers. In short, I was a racketeer, a gangster for capitalism. I helped make Mexico and especially Tampico safe for American oil interests in 1914. I helped make Haiti and Cuba a decent place for the National City Bank boys to collect revenues in. I helped in the raping of half a dozen Central American republics for the benefit of Wall Street. I helped purify Nicaragua for the International Banking House of Brown Brothers in 1902-1912. I brought light to the Dominican Republic for the American sugar interests in 1916. I helped make Honduras right for the American fruit companies in 1903. In China in 1927 I helped see to it that Standard Oil went on its way unmolested. Looking back on it, I might have given Al Capone a few hints. The best he could do was to operate his racket in three districts. I operated on three continents." [28]
- (Major General Smedley Darlington Butler, USMC, three-times nominated, twice awarded, the Medal of Honor. Single-handedly infiltrated and exposed a plot by big capitalists to overthrow President Roosevelt in 1934 and set up a fascist dictatorship in America)

Latter 20th Century Imperialism: Social Systems Engineering

- "I don't see why we need to stand by and watch a country go communist due to the irresponsibility of its own people. The issues are much too important for the Chilean voters to be left to decide for themselves." (Henry Kissinger);
- "Not a nut or bolt shall reach Chile under Allende. Once Allende comes to power we shall do all within our power to condemn Chile and all Chileans to utmost deprivation and poverty." (Edward M. Korry, U.S. Ambassador to Chile, upon hearing of Allende's election)
- "Make the economy scream [in Chile to] prevent Allende from coming to power or to unseat him" (Richard Nixon, orders to CIA director Richard Helms on September 15, 1970)
- "It is firm and continuing policy that Allende be overthrown by a coup. It would be much preferable to have this transpire prior to 24 October but efforts in this regard will continue vigorously beyond this date. We are to continue to generate maximum pressure toward this end, utilizing every appropriate resource. It is imperative that these actions be implemented clandestinely and securely so that the USG and American hand be well hidden..." (A communiqué to the CIA base in Chile, issued on October 16, 1970.)

Brzezinski Continued

- B: What is most important to the history of the world? The Taliban or the collapse of the Soviet empire? Some stirred-up Moslems or the liberation of Central Europe and the end of the cold war?

Q: Some stirred-up Moslems? But it has been said and repeated: Islamic fundamentalism represents a world menace today.

B: Nonsense! It is said that the West had a global policy in regard to Islam. That is stupid. There isn't a global Islam. Look at Islam in a rational manner and without demagoguery or emotion. It is the leading religion of the world with 1.5 billion followers. But what is there in common among Saudi Arabian fundamentalism, moderate Morocco, Pakistan militarism, Egyptian pro-Western or Central Asian secularism? Nothing more than what unites the Christian countries.

[This interview was published in French in Le Nouvel Observateur (France), Jan 15-21, 1998, but it is believed not included in the edition sent to the United States. Translation from original French by Bill Blum, author of "Killing Hope: US Military and CIA Interventions Since World War II" and "Rogue State: A Guide to the World's Only Superpower".]

An Allegory About Neoliberalism: How and For Whom it Really Works

- Imagine a race between two runners. Imagine that Runner A is held back while Runner B is advanced 80% of the way around the track toward the finish. Now imagine that Runner A is suddenly released to run the race, with no reference to having been held back or why, and, only when Runner B is only 20% away from the finish of the race, is Runner A then turned loose to “compete” in the race. Suppose Runner A is even told by Neoclassical theoreticians that if he does not win the race, that he is now totally “free” to run, this will be taken as “evidence” of Runner A’s own inferiority, laziness and lack of fitness to run the race.” And suppose further that the rules of the race only apply to Runner A while the “referees” of the race are in the employ of and/or related to Runner B.

Now Extend The Previous Allegory

- Suppose the winner of the previous race (any question who that will be?) starts out in Race II at a position 90% ahead of the start line or 10% from the finish line while the loser of the previous race, Runner A, starts at the start line or say even 10% ahead of the previous start line, and each is told again, that he or she has an “equal opportunity” to run the race. Any question who will win race 2?
- Now imagine that this race has life and death consequences on many innocents and even the fate of the planet hangs on it.
- Inequalities, are self-reinforcing and self-reproducing especially in market-based systems, where access to political power, information, specialized technologies, patents, copyrights, guanxi etc are all commodities for sale to some and denied to others who either lack purchasing power and/or are subject to embargos.

Pillars of Neo-liberalism & Imperialism

- ***Tax reform – broadening the tax base and adopting moderate marginal tax rates;***
 - a) Increasing uses of regressive taxes (sales and value-added) and decreased use of progressive taxation in general and marginal tax rates of upper brackets in particular
 - b) Tax regimes are moderately progressive de jure (on paper) but regressive overall de facto (in fact)
 - c) Increased use of tax shelters, loopholes, tax code complexity and accelerated depreciation etc for upper income brackets and corporations. (increases demand for foreign consulting and finance capital services and hides regressive nature of tax code)

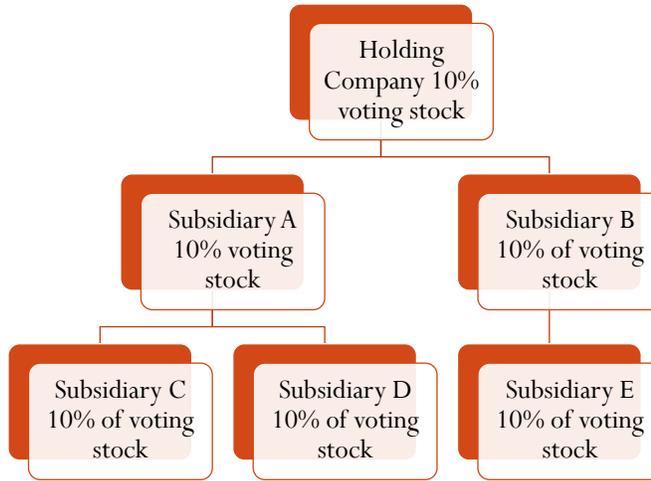
Pillars of Neo-liberalism & Imperialism

- NED and the “Infrastructure of ‘Democracy’“
- **The National Endowment for Democracy: Revisiting the CIA Connection**
- The National Endowment for Democracy (NED) was established in 1984 with bipartisan support during President Reagan’s administration to “foster the infrastructure of democracy – the system of a free press, unions, political parties, universities” around the world.[8] Considering Reagan’s well documented misunderstanding of what constitutes democratic governance,[9] it is fitting that Allen Weinstein, the NED’s first acting president, observed that in fact “A lot of what we [the NED] do today was done covertly 25 years ago by the CIA”. [10] So for example, it is not surprising that during the 1990 elections in Nicaragua it is has been estimated that “for every dollar of NED or AID funding there were several dollars of CIA funding”. [11]
- By building upon the pioneering work of liberal philanthropists (like the Ford and Rockefeller Foundations’) – who have a long history of co-opting progressive social movements – it appears that the NED was envisaged by US foreign policy elites to be a more suitable way to provide strategic funding to nongovernmental organizations than via covert CIA funding. [12] Indeed, the NED’s ‘new’ emphasis on overt funding of geostrategically useful groups, as opposed to the covert funding, appears to have leant an aura of respect to the NED’s work, and has enabled them, for the most part, to avoid much critical commentary in the mainstream media.
- (“Democratic Imperialism”: Tibet, China, and the National Endowment for Democracy by Michael Barker)

De-jure Dispersion of Ownership → Concentration of Control De-facto

- It is characteristic of capitalism in general that the ownership of capital is separated from the application of capital to production...
- “The head of the concern controls the principal company (literally: the “mother company”); the latter reigns over the subsidiary companies (“daughter companies”) which in their turn control still other subsidiaries (“grandchild companies”), etc. In this way, it is possible with a comparatively small capital to dominate immense spheres of production. Indeed, if holding 50 per cent of the capital is always sufficient to control a company, the head of the concern needs only one million to control eight million in the second subsidiaries. And if this ‘interlocking’ is extended, it is possible with one million to control sixteen million, thirty-two million, etc.”[3]
- As a matter of fact, experience shows that it is sufficient to own 40 per cent of the shares of a company in order to direct its affairs,^[4] since in practice a certain number of small, scattered shareholders find it impossible to attend general meetings, etc. The “democratization” of the ownership of shares, from which the bourgeois sophists and opportunist so-called “Social-Democrats” expect (or say that they expect) the “democratization of capital”, the strengthening of the role and significance of small scale production, etc., is, in fact, one of the ways of increasing the power of the financial oligarchy. (V.I. Lenin Imperialism the Highest Stage of Capitalism)

Stock Dispersion → Smaller %s of Total Stocks Needed for Control of Assets



Multiple Political Parties + Voter Cynicism → Less not More “Democracy”

- Take the U.S. 2000 Presidential Election decided by one vote (by the U.S. Supreme Court 5-4) with three of the U.S. Justices (Scalia, Thomas and O’Connor) who voted for Bush, in violation of 28 USC 455 [which demanded their recusal from the case for clear conflicts of interest which they refused to obey] With 50% of age-eligible potential voters voting, for two parties that have only nominal differences, and with the winning candidate getting 50% of the votes, that candidate wins with only $.50 \times .50$ or 25% of age-eligible population voting for him or her. With three parties, as with Clinton in 1992, his “mandate” was even less.

Pillars of Neo-liberalism & Imperialism

- *Competitive exchange rates;*

a) Translation, we believe in “free markets” when it suits us and administered exchange rates or other prices when that suits us.

b) The exchange rate of the U.S. Dollar has always been about the political-hegemonic as well as economic role of the dollar. The U.S. dollar has in many ways been “overvalued” since Bretton Woods 1944.

c) falling dollar is supposed to stimulate exports unless loss of general confidence in the dollar causes decreased willingness to demand and hold dollars thus not only dollar meltdown, but lacking dollar reserves, countries decrease demand for U.S. exports and trade deficits rise instead of falling with a falling dollar.

Pillars of Neo-liberalism & Imperialism

- *Liberalization of inward foreign direct investment;*

Translation:

The U.S and others following neoliberal prescriptions will only reinvest their profits if given a free hand to determine where, when, how much and in what sectors regardless of the implications on overall growth and development imperatives of the nation in which the reinvestment is directed. Not only does this undermine national sovereignty, but it leaves room for all sorts of social systems engineering schemes. This is demanded but not practiced by the U.S. and some of its allies

What is your answer to the question Socialism vs. Capitalism Who Will Win?

- My answer was I do not know but I do know which must win if this planet and humanity are to survive—Socialism.

Imperialism, Neo or Classical, will never tolerate, because they could never handle, truly free, fair, open and peaceful competition between systems—Socialism vs. Capitalism.

Social Systems Engineering is about identifying and then exploiting the key vulnerabilities of a targeted nation for purposes of destabilization and overthrow of regimes and systems; and to engineer the supposed “proof” of the supposed “superiority” of Capitalism over Socialism and the supposed “proof” of the supposed backward and repressive nature of Socialism and Communism.

Di guo zhu yi de mian zhao he tang yi pao dan

"Evil is no faceless stranger
living in a distant neighborhood
Evil has a wholesome, hometown face,
with merry eyes and an open smile.
Evil walks among us, wearing a mask
which looks like all our faces.

(The Book of Counted Sorrows)

