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***For 6th sem. (Major), paper-6.4.***

**TOPIC: MEANING & FEATURES OF NEO-LIBERALISM:**

During 1970s, there was an economic depression in the world economy. Unemployment and high economic inflation were the serious concern for the states. The concept of welfare state was challenged by the emergence of those new economic crises. The deplorable situation compelled the thinkers to think once again on liberalism and led them to evolve a new concept i.e. neo- liberalism. The neo-liberalism revived the idea of the classical liberalism i.e. the ideas of lessize-faire doctrine. The emergence of neo-liberalism led the scholars to think on the globalization of economy. In globalised economy the state should play limited functions and the individual should be given full freedom in economic life like classical liberalism.

**Contributors of Neo-Liberalism:** There are so many political thinkers who contributed to the growth of neo-liberalism. Among them Freidrich August Von Hayek, Milton Freidrich and Robert Nozick are famous.

**i) Friedrich August Von Hayek :** According to Hayek, the welfare state may be the threat to the freedom of individuals. The welfare state may turn into the dictatorial state. His view is that if the state is allowed to interfere, it will enter into every walk of life of the individuals. In his book ‘*The Road to Serfdom’*, published in 1944, he expressed concern against the danger of state control over the means of production. For Hayek, the collectivist idea of empowering government with increasing economic control would lead to a utopia. Therefore, he did not support the interference of the state in the socio- economic and political life of the people. He opined that the state should have limited functions. For the development of personality of the individuals maximum freedom is necessary. He supported the legal coercion of the state to protect the rights and freedom of the individuals.

**(ii) Milton Friedrich:** Milton Friedrich was an American economist. The famous book of M. Friedrich is ‘Capitalism and Freedom’ and ‘Free to Choice’. According to him, the government has three primary functions-(a) It should provide military defense, (b) It should contract with the individuals and (c) It should protect its citizen’s life andaspects of life of the individuals. The view of Friedrich is that the society that puts equality before freedom will end up with neither. On the other hand, the society that puts freedom before equality will end up with great measures of both. He supported the free markets and reduction in the size of government.

**(iii) Robert Nozick:** Robert Nozick,was an Amer**i**can philosopher. His best work ‘*Anarchy, State and Utopia’*, published in 1774. In this book Nozick argued in favour of the limited functions of the state. The functions of the state should be the protection of its citizens from anti-social forces like thief, fraud etc. and also the state should enforce contract. If the state take more responsibility, the individual will not able to enjoy their rights.To support the idea of minimal state, Nozick presents an argument that illustrates how the minimal state arises naturally from anarchy and how any expansion of the state power parts this minimalist threshold is unjustified.

**Features of Neo-Liberalism :**

(a) Like the classical liberalism, the Neo- liberalism also emphasis the use of limited power of the state.

(b) The functions of the state should only be confined to maintain law and order of the society.

(c) John Galbraith, a staunch supporter of neo-liberalism has emphasis on mixed economic policy. He asserted that both public and private sectors should have dominant role in the economy of the state.

(d) Like classical liberalism the neo-liberalism also considers the supremacy of the individuals over the state.

(e) The Neo- liberalism supports the concept of Liberalization, Privatization and Globalization (LPG).

(f) The liberalism is against the concept of welfare state. It supports the doctrine of laissez faire.

(g) Neo-liberalist wants to make present Parliamentary form of government more powerful in order to protect the rights of the individuals. They sought state interference for the protection of rights of the people.

(h) They supports the Marxian views of the state control over the management of industries. Management of industries should not be vested in the hands of the capitalist, but should be controlled by the state to protect the interest of the working class.

(i) According to Neo-liberalist the sovereignty of the state should be limited.

**Criticisms:**

1. Neo-liberalism lays emphasis on competition instead of cooperation. Because free competition in the trade and commerce may serve theinterest of the few people.

2. It wants to provide economic equality by introducing progressive taxation by controlling the means of production and distribution. But there cannot be economic equality without the abolition of private property.

3. The Neo-liberals also ignores the social traditions and history. Critics pointed out that a new social system can be established on the basis of social traditions and history.

4. Marxist alleges that the Neo-liberalist did not contribute to any social transformation, but only to the continued survival of the essentially unjust and irrational capitalist social order.

**Impact of Neo-Liberalism:**

The emergence of worldwide economic depression of 1970s paves the ways for neo-liberalism. The Keynesian model of state control economy could not solve the economic crises of the world. Therefore, Keynesian model was discarded by the thinkers and accepted a new liberal policy which is fully free from state regulation. The individuals are permitted to establish and expand their own business within and outside of their state. According to neo-liberalists there should not be any barrier in the economic life of the people. The concept, neo-liberalism helps to the emergence of other new concepts like Liberalization, Privatization and Globalization (LPG) in international arena.The concept of neo-liberalism has become so popular in this era that most of the states of the world have been accepting this ideology as their ideology and after the collapse of the USSR, in 1991; this ideology has got a new impetus.

The neo- liberalism as concept applied by several Western and non-Western countries as part of their policy to exploit the underdeveloped countries. In 1980s and 1990s, the USA returned back to the market economy policy and abandoned the Keynesian model of state regulated economy. During that period in many sectors government expenditure was cut and some industries were deregulated. In 1980s, due to the economic depression Japan privatizes public sectors except those which are considered as important for military department. China, which is the ardent supporter of the communism, has accepted the liberal policy and opened its avenue for other states to invest in its market. It is assumed that the China will become one of the world’s biggest cross-border investor in near future.

Till 1990, India followed its own policy in economic field. But since 1991 Indian government under the New Economic Policy has been following the liberal policy. During the first tenure of the NDA government one new department naming Disinvestment Department was created to privatize some of the government financial institution as well as the large scale industries. After coming to power the BJP led NDA government has taken a bold step in 2016 in Foreign Direct Investment (FDI) in 2016. The Union government has ‘radically liberalized’ the FDI regime and opened up multiple sectors for 100 per cent FDI. Most of the sectors would be under automatic approval route, except a negative list. With these changes, India is now the most open economy in the world for FDI.

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