



Perils of Neo-Liberal Era

 drishtiias.com/current-affairs-news-analysis-editorials/news-editorials/24-02-2020/print

This article is based on **“Towards a new world order”** which was published in The Hindu on 14/02/2020. It talks about issues related to the neo-liberal economic order and suggests a suitable alternative to it.

Capital can be defined as money, equipment, and other resources which are privately owned. Private ownership provides the owner with the opportunity to grow, develop and reap the benefits of using those resources for productive endeavours. Based on this capitalism, in its elementary stages fosters free enterprise and innovation.

Current world economic order can be termed as **neo-capitalism or neo-liberalism** order which focuses on **Laissez-faire (market freedom), globalisation, intellectual property rights, free movement of goods, services, investment and ideas.**

However, over the course of the neoliberal era, economies around the world have become more and more unequal. Such conditions question neo-capitalism's long term viability as the key driving force of world economic order.

Issues Related to Neo-liberal Era

- **Increasing Inequalities:** Social inequalities and the grim problems of stark and continuing poverty are at the epicentre of the current world order. This can be reflected by the **Oxfam Report 2019:**
 - 2,153 billionaires have more wealth than 4.6 billion people.
 - The world's richest 22 men have more money than all the women in Africa.
 - According to Oxfam, if governments were to increase taxation on the wealthiest 1% for the next 10 years, that would be the equivalent to creating 117 million jobs in education, health and elderly care and other sectors.
- **Creation of Monopolies:** Despite its alleged commitment to market competition, the neoliberal economic agenda instead brought the decline of competition and the rise of close to monopoly power in vast swaths of the economy: pharmaceuticals, telecom, airlines, agriculture, banking, industrials, retail.

- **Unsustainable Economic Growth:** One of the chief characteristics of economic development is the intensification of energy use. There is an unprecedented concentration of high energy density in all economic development strategies.
 - The bulk of the energy continues to be generated from non-renewable sources.
 - The developed world's primary objective is to capture energy-generating resources from across continents and put them to use to push their GDP growth to greater heights.
 - This unsustainable economic growth model is against the concept of sustainability, as it sacrifices the need of future generations for the welfare of present generations.
- **Developing Countries at Disadvantage:** High consumption of energy by the developed world has been accompanied by the disposal of residual products ('e-waste') on the shores of many African and Asian countries.
 - As a result, the poor in the developing world are, unwittingly, drawn and exposed to toxic, hazardous materials like lead, cadmium and arsenic.
- Also, **the 'globalisation'** phenomenon has led to the **exploitation of the developing world**, with most countries being treated as a source of cheap labour and critical raw material.
- Further, **high expenses on research and Intellectual Property Rights favour the developed countries**, as it hinders the transfer of technology which may aid sustainable development.
- Moreover, the sustainability of neo-liberal economic order got exposed during the 2007-2008 Global financial crisis due to which the global economy was on the verge of collapse.

Way Forward

Improvement in 'Ease of Doing Business' needs to be balanced with the improvement in Human Development Index.

The current neo-liberal model can be replaced by '**Nordic Economic Model**', which pertains to the remarkable achievements of the **Scandinavian countries comprising Denmark, Finland, Iceland, Sweden, Norway, and allied territories.**

Nordic Economic Model is comprised of:

- Effective welfare safety nets for all.
- Corruption-free governance.
- A fundamental right to tuition-free education, including higher education.
- A fundamental right to good medical care.
- Nordic Countries also shut down the tax havens.

- Also, in Nordic countries, personal and corporate income tax rates are very high, especially on the very rich.
- They also have large public sector enterprises; extensive and generous universal welfare systems and considerable state involvement in promoting and upholding welfare states.
- By following this economic model, These nations are among the richest in the world when measured in terms of GDP per capita.
- UN reports also indicate that the Nordic countries are the happiest countries in the world.
- **New Model for the Corporate Sector:** A new format has emerged under which a company's performance is measured through four 'Ps'.
 - **The first is 'P' for 'profit'.**
 - **The second 'P' is for 'people':** How the companies actions impact not only employees but society as a whole.
 - **The third 'P' is for 'planet':** Companies actions and plans should be sensitive to the environment.
 - **The fourth 'P' is for 'purpose':** Companies and individuals must develop a larger purpose than 'business as usual'.
 - Using big data and text analytics, a company's performance can be measured in terms of all the four 'P's and a corporate entity can be thus held accountable.
- Redistribution of wealth and resources is needed to end extreme poverty. This can be done by taxing wealth, high incomes, and cracking down on loopholes and inadequate global tax rules.
- Apart from these, there is a requirement of global consensus and the will to make the planet more sustainable, so that all individuals can live with justice and equality.

Drishti Mains Question

Like the Nordic model, in India, the government needs to regulate the market forces in order to address social problems such as widespread poverty. Discuss.