

Economic Liberalism

by Nadir Cheema

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THE economic discourse revolves around IMF programmes in Pakistan, as the country is being administered for the 23rd time. IMF's prescription for economic stabilisation, steeped in the principles of economic neoliberalism, is often seen as uniform for countries across the world. This situates the IMF as a bastion of neoliberal thought.

Pakistan's tryst with economic liberalism dates back to the 1960s, when it was among the first developing countries adopted to experiment free-market economic policies. To fully grasp the depth and influence of neoliberal economics, tracing back two centuries to the onset of the Industrial Revolution and intersecting with the phases of colonialisation and the development of the social welfare state, is crucial.

The Economist magazine, renowned for its analytical prowess and influential readership, offers a critical lens for examining the transition from classical liberalism to neoliberalism during last two centuries. Its 'Homeland Economics' special report published recently navigates the troubled waters of neoliberalism in the post-pandemic and 2008 financial crisis world, aggravated by geopolitical tensions.

Since 1843, *The Economist* has ardently supported free-market principles, beginning with its campaign against Britain's Corn Laws to advance economic liberalism. The magazine's success in this early endeavour laid the groundwork for its staunch opposition to protectionism and socialism. *The Economist* played a critical role in the rise of Britain's Liberal Party in the late 19th century, significantly impacting the period's political and intellectual landscapes. Some of its editors were revered as Victorian liberalism's sages.

The magazine's influential role in liberal discourse also highlights Britain's historical role in spreading capitalism across the world. Rooted in London, the heart of global finance, its advocacy for financialised capitalism aligned with the city's standing.

The Economist has skilfully adjusted its editorial positions to reflect the changing tides of global politics and leadership. It initially supported colonial expansion to promote investments, adopted a nuanced approach during World War I, and recognising Britain's waning influence post-World War II, focused more on an American readership, aligning with US foreign policies. The magazine opposed the Anglo-French proposal of military intervention in the Suez Crisis, endorsing the US stance and backed other American strategies during the Cold War.

In the 1970s, it approached neoliberalism with caution but later fully embraced Thatcher-Reagan economic paradigm, maintaining this stance into Tony Blair's New Labour era. The shift is perceived by some as aligning with the prevailing political currents, others interpret it as a practical adaptation of liberal ideology to a changing global context, shifting from classical individualism.

During the late 19th and early 20th centuries, the rise of a mass working class, a product of the Industrial Revolution, brought socioeconomic shifts and heightened inequalities. Modern liberals, acknowledging that classical principles of mere physical freedom were no longer sufficient, began advocating for the state to provide social welfare, enabling individuals to achieve their potential — a modern take on ‘freedom’. *The Economist* embraced this broader vision of welfare, seen by some as a means for the capitalist world to proactively address demands and avert revolutionary sentiment. Others view its editorial evolution as a strategic response to the expansion of franchise and the Liberal Party’s need to adapt to electoral challenges. Moreover, some credit liberalism with creating an environment conducive to the development of labour movements.

William Beveridge’s seminal 1942 report, which laid the foundation for Britain’s universal social welfare system, was embraced by *The Economist*. During the 1970s, the magazine showed a preference for Keynesian economics over monetarist theories, eventually settling firmly into a neoliberal stance.

The 2008 financial crisis prompted reassessment of free-market orthodoxy and the state’s role, with the *The Economist* firmly advocating for the public bailout of faltering banks — a move criticised by some as ‘socialism for the rich, capitalism for the poor’. As Covid-19 triggered extensive government spending to bolster the economy, proponents of neoliberalism differentiated this broad-based support from the 2008 bailouts, as an equaliser.

In the midst of debates on state intervention versus free market policies, *The Economist* published a special report ‘The Homeland Economics’ in October. Across seven chapters, the report explores homeland economics, a concept crafted by the magazine. It presents this approach as a strategic state response to safeguard the nation’s economy from volatile market dynamics and unpredictable events, such as pandemics and geopolitical tensions.

‘The Homeland Economics’, as described by *The Economist*, is a response to four major global disruptions. The first is the enduring impact of the 2008 financial crisis, compounded by the 2020 Covid-19-induced recession, which buckled supply chains. The second is the geopolitical strain from US-China economic sanctions and the conflict triggered by Russia in Ukraine. This has given rise to the third disruption: weaponisation of hydrocarbon resources by Russia, forcing countries to find other energy solutions. The fourth is the advent of artificial intelligence, presenting new challenges to employment and labour markets.

The report begins with a celebration of the triumphs brought by market power and globalisation, citing a radical reduction in poverty, a narrowing of inequality gaps, and an expansion of political freedoms since the 1990s. It scrutinises the optimistic beliefs of homeland economics advocates who argue it will create a safer, fairer, and more sustainable world. Challenging this view, the report predicts homeland economics may, in practice, lead to outcomes that are less secure, less equitable, and harmful to the environment.

There is a growing scepticism challenging the neoliberal economic paradigm globally. In Pakistan, contrary to global trends, concepts like the ‘charter of economy’ between political parties keep springing up, which is seen by many as aligning with the IMF programmes. Economic policies are the main strand to contest in elections, a consensus on economic

policies would render the whole exercise of elections futile. As the elections approach, it's imperative on political parties to diligently craft and present robust, homegrown economic policies in their manifestos. These policies could serve as viable alternatives to neoliberalism, reflecting the unique socioeconomic realities of Pakistan.

The writer teaches economics at SOAS, University of London, and is associated with Bloomsbury Pakistan.

nadir.cheema@economics.oxon.org