Washington Consensus, Globalization, Neo Liberalism and the State in Africa: A Critical Exegesis

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Abstract
Neoliberalism as a political economic ideology drives the world’s global economy and it’s responsible for the rise and fall of nations especially the advanced and developing world respectively. The global political economy is driven by neoliberal thought and the market has for so long being a medium for distilling the values of a global hegemon that maintains the global political economy and legitimizes its leadership. Washington Consensus is one of the recent policies that expresses neoliberal economic thought and aims at perpetuating the integration of developing world to the global capitalist grid and also recently the Soviet States that emerge out of the ashes of the former Soviet Union. But in all, the Washington Consensus has failed and failed woefully and has plunge the countries where it was adopted into deeper crisis, it has not put into consideration country specific peculiarities and has assumed that Latin America’s problem is peculiar to that of other developing countries. Washington Consensus has even went as far as the new Soviet countries who do not even have a well differentiated market structure therefore has no basis for the Washington Consensus. Yet this has shown that the Washington Consensus is an ideological make up rather than an economic prescription. However Neoliberalism did not stop at that, the pervasiveness of neoliberal ideas has led to globalization which is the present reality of the global political economy, the market becomes a universal phenomenon under globalization thus making neoliberal economic arrangement the end of history. The central argument of this
paper on globalization is that it was triggered, it was not supposed to be now, the world was not prepared for globalization and that is why we are having the several backlashes occurring now. What exactly does this portends for the African state, the argument of this paper is for the state. Inspite of globalization, the role of the state cannot be jeopardized; the state in Africa is pivotal to the much needed economic leap of Africa. I also argued that neoliberalism distorted the African economic arrangement and led to the neo-patrimonial nature of the African states which makes it incapable of auto centric development. This paper concludes that there is no better period for Africa to develop than in this age of globalization and that regionalism is pivotal to Africa’s economic advancement

**Keywords:** globalization, Washington Consensus, neo-patrimonial, neo-liberalism, regionalism

1. **Introduction**

Unprecedentally strange is the new economic arrangement that became explicit immediately after the collapse of the Soviet Union, the cold war was the singular force that kept it on check prior to that time, yet a historical exegesis reveals that though it was strange but this phenomenon is not unknown. David Lockwood in his attempt to capture this phenomenon stated thus:

A strange thing happened to the world’s economies on their way to the end of the twentieth century. A unique thing and yet because it happened virtually everywhere and with considerable rapidity, its uniqueness was quickly forgotten. It was that the world’s governments, of every shade and political complexion, seemingly on their own initiative, all began implementing economic policies that looked strikingly similar. ‘Left wing’ programmes of state management, income redistribution and full employment went out. ‘Right wing’ ones that emphasized the importance of the private sector, of market forces and individual initiative came in…..These policies which are virtually hegemonic the world over (and will remain so despite the recent crisis-induced chatter about a Keynesian re-run), were neither coincidental nor accidental.(Lockwood 2000).

This strange event which is globalization was driven by the neoliberal ideology with economic policies that emphasized a market economy. These policies were championed for the developing countries through the instrumentality of the Bretton Woods institutions and the consensus of Washington. But this neoliberal agenda is not without its own consequence on the state in Africa. Classical liberalism, the forerunner of neoliberalism is largely responsible for the distortion of the state formation process in Africa and had perpetuated it further through the structural adjustment programmes of the 1980s and the Washington Consensus of the 1990s which is purely neoliberal agenda. Yet the end is not here, for globalization stares us in the eye, it portends both good and bad, it is the reality of the world and the developing world, Africa included cannot shy away from this. It is also noteworthy to state that Africa had never had a better chance to develop than in this period of globalization, for globalization in spite of its hegemonic character offers greater opportunity for economic advancement if channeled properly and it also possesses an unprecedented potential for making Africa a switch off zone if we may borrow the term by (Castells, 1997).
This paper is divided into three sections. The first section examines Washington Consensus, globalization and the argument that surrounds them. The second section examines the theoretical underpinnings and the sociology of knowledge cum history of ideas as it concerns neoliberalism and its variants. The third section examines the nature and provenance of the African state and its capacity to respond to the vicissitudes of global political economy as dictated by neoliberal agenda.

Our argument in this paper is quite eclectic; we adopted an explanation critique method. That is we outlined the issues for argument and explain them conceptually looking at the arguments involved, bringing in scholarly opinions, then we did a critique of it. In the course of the work also, we put into consideration the history of ideas and sociology of knowledge, we believe it is important if we are to understand the inevitability of the distortion done in Africa as a result of these ideas.

2. Washington Consensus

How did the Washington Consensus emerge, how was it coined? Before embarking on any analysis about this concept, it is important to understand its provenance, as this would serve as a build up to our analysis. No better account about how the “Washington Consensus” was coined exists out there than the one given by John Williamson himself (Williamson, 2003, cited in Kanbur 2008). The account follows thus:

2.1 The Origin of the Washington Consensus

“The story of the Washington Consensus dates back to 1989, when the press in the United States was still talking about how Latin American countries were unwilling to undertake the reforms that might give them a chance to escape the debt crisis. It seemed to me that this was a misconception and that, in fact, a sea change in attitudes toward economic policy was occurring. To determine whether this was correct, the Institute for International Economics decided to convene a conference at which authors from 10 Latin American nations would present papers detailing what had been happening in their respective countries. To try to make sure that they all addressed a common set of questions, we wrote a background paper in which we listed 10 policy reforms that we argued almost everyone in Washington thought were needed in Latin America as of that date. We labeled this reform agenda the “Washington Consensus,” never dreaming that we were coining a term that would become a war cry in ideological debates for more than a decade. Indeed, we thought the ideas when lying out were consensual, which is why we gave them the label we did. The 10 reforms that constituted our list were as follows:

1 Fiscal Discipline. This was in the context of a region where almost all the countries had run large deficits that led to balance of payments crises and were experiencing high inflation that hit mainly the poor because the rich could park their money abroad.

Reordering public expenditure priorities. This suggested switching expenditure, in a pro-growth and pro-poor way, from things like no merit subsidies to basic health care, education, and infrastructure.
2 Tax Reform. The aim was a tax system that would combine a broad tax base with moderate marginal tax rates.

3 Liberalization of Interest Rates. In retrospect, we wish we had formulated this more broadly as financial liberalization, stressed that views differed on how fast it should be achieved, and recognized the importance of accompanying financial liberalization with prudential supervision.

4 A Competitive Exchange Rate. We fear to indulged in wishful thinking in asserting that there was a consensus in favor of ensuring that the exchange rate would be competitive, which implies an intermediate regime; in fact, Washington was already beginning to edge toward the two-corner doctrine, which holds that a country must either fix firmly or float “cleanly.”

5 Trade Liberalization. We acknowledged that there was a difference of view about how fast trade should be liberalized, but everyone agreed that this was the appropriate direction in which to move.

6 Liberalization of Inward foreign Direct Investment. We specifically did not include comprehensive capital account liberalization because we did not believe that it commanded a consensus in Washington.

7 Privatization. This was the one area in which what originated as a neoliberal idea won broad acceptance. We have since been made very conscious that it matters a lot how privatization is done: it can be a highly corrupt process that transfers assets to a privileged elite for a fraction of their true value, but the evidence is that privatization brings benefits (especially in terms of improved service) when done properly and the privatized enterprise either sells into a competitive market or is properly regulated.

8 Deregulation. This focused specifically on easing barriers to entry and exit, not on abolishing safety or environmental regulations (or regulations governing prices in a noncompetitive industry).

9 Property Rights. This was primarily about providing the informal sector with the ability to gain property rights at an acceptable cost (inspired by Hernando De Soto’s analysis).”

The above is Washington consensus as proposed by (Williamson 1990). Though he claimed that it was unideological, it was just a mere policy reform and nothing less. But the so called consensus came up in 1989, the year the Berlin wall fell and when the Soviet Union that represented an alternative ideology and statist symbol was already on the verge of collapse, before then, Reaganism and Thatcherism which represented neoliberal resurgence was the order of the day, both administration began preaching less state intervention in the economy, thus putting an end to the Keynesian liberalism of the post world war two era, the headquarter of IMF and World Bank is in Washington which have been considered the neoliberal merchants especially when Reaganism and Thatcherism surfaced. This was the reality of the world, eventually the Soviet Union disintegrated in 1990, and those splinter countries were led to the twin institutions of IMF and World Bank to seek assistance for their economic debacle. Woo (2004) stated that a large portion of the sub Saharan countries and Latin
America countries were under Washington consensus based conditionality programmes in any given year in the 1990s. According to Rodrik (2006), this advice inspired a wave of reforms in Latin America and Sub-Saharan Africa which fundamentally transformed the policy landscape in these developing areas. With the fall of the Berlin Wall and the collapse of the Soviet Union, Former Soviet countries similarly made a bold leap towards markets.

Williamson assumed that this was the consensus of the consensus in Washington, Why Washington, why does it have to be Washington? The institute if international economics, the United States treasury, IMF, World Bank are all based in Washington and then we talk about the political Washington. The IMF and World Bank might not have publicly own up to the policy but they had used it as conditionality for developing countries even in the splinter countries of Soviet Union.

3. Critics of Washington Consensus and Their Arguments

Stiglitz (2002) in his classic work “Globalization and its Discontents” argued that the Washington consensus is a consensus between the IMF, the World Bank, and the U.S treasury about the right policies for developing countries which signaled a radically different approach to economic development and stabilization. He argued that many of the ideas incorporated in the consensus were developed in response to the problems in Latin America where governments had let budgets get out of control while loose monetary policies had led to rampant inflation. Thus he argued that the same ideas that were region specific were subsequently deemed applicable to countries around the world. Capital liberalization had been pushed despite the fact that there is no evidence showing it spurs economic growth. In some other cases, the economic policies that evolved into Washington Consensus and were introduced into developing countries were not appropriate for countries in the early stages of development or early stages of transition.

A good example of this for me is the Soviet countries that were emerging from a statist dominated economy been advised to adopt the Washington consensus conditionality’s, there is no how such countries were going to be able to compete with developed countries and there is no how they were going to make economic progress because in the first place they never had a market structure and such market structure was not even allowed to evolve adopting a gradualist approach before subjecting such countries to the Washington consensus conditionality’s, that led to the failures of most of these countries and the Russian crisis itself.

Fiscal austerity, privatization and market liberalization were three pillars of Washington consensus advice throughout the 1980s and 1990s. The Washington consensus policies were designed to respond to the very real problems in Latin America, and made considerable sense. In the 1980s, the government of those countries had often run huge deficits. Losses in inefficient government enterprises contributed to those deficits. Insulated from competitions by protectionist measures, inefficient private firms forced customers to pay high prices, loose monetary policy led to inflation running out of control…….Most countries would be better off with governments focusing on essential public services rather than running enterprises that would arguably perform better in the private sector and so privatization often make sense when trade liberalization, the lowering of tariffs and elimination of other protectionist
measure is done in the right way and at the right pace,..... Fiscal austerity pushed too far under the wrong circumstances can induce recessions and high interest rates may impede fledging business enterprises. The IMF vigorously pursued privatization and liberalization at a pace and in a manner that often imposed very real costs on countries ill-equipped to incur them (Stiglitz 2002).

He went ahead to examine the privatization and liberalization policies in the Washington consensus. He argued that the IMF approached the issue from narrow ideological perspective; Privatization was to be pursued rapidly. Scorecards were kept for the countries making the transition from communism to the market: Those who privatized faster were given the high marks. As a result privatization often did not bring the benefits that were promised. The problems that arose from these failures have created antipathy to the very idea of privatization. On Liberalization, Stiglitz stated that even the IMF agreed that it has pushed that agenda too far. Liberalization of capital and financial markets contributed to the global financial crisis of the 1990s and can wreak havoc on a small emerging country. On the issue of foreign direct investment, Stiglitz posits that foreign investment is not one of the three main pillars of the Washington Consensus, but it is a key part of the new globalization, According to Washington Consensus, growth occurs through liberalization, “freeing up” markets. Inspite of the advantages of foreign capital, when it comes in, they often destroy local competitors, quashing the ambitions of the small businessmen who had hoped to develop homegrown industry. Foreign capitals only go where there is raw material in developing countries and most often cause distortions in the countries involved. The Washington Consensus policies according to Stiglitz paid little attention to issues of distribution of “fairness”. Washington Consensus believes in trickle-down economics. But there is a fault with this argument, if government does not deliberately involve in redistribution of wealth and welfare programmes, developmental advantages hardly trickle down. The results of the policies enforced by Washington consensus for most countries embracing its tenets, development has been slow, and where growth has occurred, the benefits have not been shared equally: crisis have been mismanaged; the transition from communism to a market economy has been a disappointment (Stiglitz 2002).

Woo (2004) argued that the Washington Consensus suffers from fundamental inadequacies, he advocated a more comprehensive framework to guild the formulation of country specific development strategies. He stated that Indonesia, Korea and Thailand implemented Washington consensus type of policies to counter the Asian financial crisis, and they suffered deeper output losses for a longer period than Malaysia which adopted capital control instead. Also as we argued earlier, Woo also declared that the communist states from USSR who also were subjected to the policies of Washington Consensus such as deregulation etc responded negatively because these countries lacked the institutional infrastructure that was necessary for the satisfactory working of a market economy. Woo surmised his critique of the Washington Consensus as follows,

1) It was based on a wrong reading of the East Asian growth experience;

2) While central planning went overboard in suppressing the private market economy, the
Washington Consensus runs the danger of denying the state its rightful role in providing an important range of public goods…

3) Washington Consensus does not understand that the ultimate engine of growth in a predominantly private market economy is technological innovation and that the state can play a role in technological innovations.

4) The Washington Consensus does not recognize the constraints that geography and ecology could set on the growth potential of a country. For example, trade-led growth strategy of East Asia cannot work with the same efficiency for a landlocked country. FDI is also less likely to go to places that are malaria infested.

Rodrik (2006) surmise that the one thing that is generally agreed on about the consequences of these reforms is that things have not quite worked out the way they were intended. Even their most ardent supporters now concede that growth has been below expectations in Latin America (and the “transition crisis” deeper and more sustained than expected in former socialist economies).

The list is endless when it comes to critically examining the dynamics of the Washington Consensus. It was saintly painted as though there were no other alternatives and the twin mammoth in Washington and their allies felt they were doing the world a favour. They claimed the policies were unhistorical in the sense of ideology but Soros (1998) hit them with a new concept which he called market fundamentalism, thus to him capitalism is die hard fanatical, it is a return to the classical gold standard period when it was an anomaly for the state to interfere in the workings of the market, Soros believe that market fundamentalism is the guiding ideology of the market led development especially the type pushed through the Washington consensus (my emphasis). But we have a different argument concerning the ideology behind the Washington consensus and the market led growth which would be systematically explained in the course of this paper. Also the Washington Consensus was originally meant for Latin American countries, how then did it become a global economic syndrome? The IMF did not put into consideration the environment under which policies can be effectively implemented, the consensus is a response to the economic issues of Latin America, it was not bound to be applicable to other part of the world because the social economic and political conditions are not the same and also geography is a serious factor when it comes to policy application. The Washington Consensus is not country specific and the entire developing world was not totally put into consideration except Latin America. Social economic and political milieu of countries varies from one region to another and so it is important to thoroughly understand this before prescribing a policy. Every economic policy is meant to respond to the peculiarities of the countries involved and not just a mere generalization and assumption as the Washington Consensus. Yet this becomes a farce given the fact that this policy is driven by ideological interests and not the best rational approach.

4. Globalization

Globalization is the reality of the world, though this statement could be contested, many would ask what we meant by globalization being the reality of the world. Then we would
answer them what other reality exist out there that is as percolative and pervasive as globalization, it might not be what we like but there is nothing we can do about it. Globalization has become a towering Olympus that stood still as a fascinating enigma which had taken the attention of the academic world. Thousands of books have been written on globalization, more are still been churned out yet we have not exhausted the concept because globalization is a multifaceted concept and above all, globalization took the world by surprise, we were never prepared for it.

Globalization has so many meanings; there are several definitions of globalization that had been given by renowned scholars which had been subjected to critical critique. We do not know of any concept that has been widely defined as globalization. Hence we do not intend to essay a new definition, we just want to discuss globalization in a much more critical way, do a review of the various postulations put forward by globalists, examine the ideological dimension to it if at all it exists and above all what is its sociology, or rather the sociology of its existence or origin.

Really, globalization is contestably an overfloged issue, it has been examined in various dimensions, economically, politically and even socially, But how global is globalization beyond the examination or the establishment of inequality in this phenomenon, we are not necessarily interested in that but, how global is globalization?, could it be that the whole world is just involve in global activities but the reward only trickle down to a few? Could it be that there is something wrong with our world view on globalization and that we are only focusing on it via a narrow lens? Is globalization a lie? Could it be that it is hegemonically driven or just a phenomenon that is devoid of control.

Globalization is the Europeanization of the world sustained by the American hegemony, which is a discourse for another paper. It is the quest for survival through trade, not even science and technology is the first, foremost and still the initiator of global practice. Every part of the world from the Arabs to the Chinese and even the Africans engage in trade among each other, perhaps that contradicts my Europeanization thesis, but the fact remains that Europe announced globalization which especially became manifest in the agrarian and industrial revolution, This revolution changed the course of humanity and created new dimensions of social relations towards production relations which Europe discovered it’s not large enough to populate. The agrarian revolution created landed and landless classes, the industrial revolution created the bourgeoisie and the proletariat. The industries never stop running, the products are unlimited, the profits belong to the merchants or industrialists and there was need for expansion, the activities never stop, hence the productive relation needed to be replicated elsewhere, large territories needed to be brought in, but the European capitalists were wise, productive relation needed to be decentralize but control still remain at the centre no matter the innovation in technology and economics of closeness to raw material, market and cost of production. And when the productive relation was replicated, the capitalist class was never replicated, it was the working class that was replicated everywhere, rather than the bourgeois replicating itself, it created a sub class that stands as its intermediary, they came out with a perverted form of bourgeois called the comprador bourgeoisie, petit bourgeoisie etc. Their outpost is Asia pacific and North America, what we can call the
tripartite alliance that explains the move from Pax Britannia to Pax America, all within the same alliance. Capitalism is the economic arrangement that never stop growing, globalization is its logical consequence. Globalization is a result and consequence of insidious commodification of anything that capital comes across; globalization is the planetary relation that has its root in capitalist productive relation. We do not disagree with Scholte’s approach to globalization on the basis of the spread of trans-planetary, and in recent times also more particularly supraterritorial connections between people neither do we contend with Manfred Steger’s believe that it is a multidimensional set of social processes that create, multiply, stretch, and intensify worldwide social interdependencies and exchanges while at the same time fostering in people a growing awareness of deepening connections between the local and the distant. We also quite agree with Giddens (1985) when he said globalization is the intensification of worldwide social relations which link distant localities in such a way that local happenings are shaped by events occurring many miles away and vice versa. But my argument is that globalization did not evolve, it was triggered. It was not suppose to be now, it was too soon. Naturally the productive relation from one part of the world to the other was supposed to be its basis not the centric event in Western Europe. Thus capital then emerge with a global character, it is this global character of capital that is called globalization of capital. All hell was let loose when capital became global; the globalization of capital led to the distortion of evolving processes in other parts of the world and then subordinated those distant territories to the source of capital. Globalization which is the logical consequence of capitalism was forceful and destructive. Thus there is a planetary relation, intensification of worldwide relations and global consciousness but the market is not innocent. Globalization connotes planetary relations that establish universal cultural, trade, political, economic relations. But capital is the base, it is the matter behind religion, culture, politics, economy, religion and for everywhere it hits a rock, there is a crisis, that could explain the social realities of our world manifesting in crisis of legitimacy, religion fundamentalism, crisis of identity, terrorism etc.

Hence there is a whole gamut of innumerable global activities manifesting in various global productive relations, it is believed that no part of the world is excluded from these activities whether developed or developing but the result and reward of these global economic activities is not global, it is skewed to some certain part. We are not being blindly critical here, oops! Globalizations have got advantages too. We mentioned earlier in the course of this paper that we just want to discuss globalization. Globalization though as we have argued was triggered, yet there is nothing that can be done about it, there is nothing that can be done to stop it. Globalization have make far distant places near, the desire to sustain global worldwide relations have led to improvement in transportation and communication, globalization has created a worldwide market, it has led to the opening up of the most extreme and remote places and integrated them to the global grid. Globalization has made it possible for the access to investment capital for some countries especially countries like Brazil, Egypt, China, Nigeria, South Africa etc, it has also been argued that globalization has led to redistribution of economic benefits. Globalization of markets removes barriers to trade and help countries to expand the demand for their products.
Why has globalization, a force that has brought so much good become controversial? Opening up to international trade has helped many countries grow far more quickly than they would otherwise have done. International trade helps economic development when a country’s exports drive its economic growth. Export led growth was the centre piece of the industrial policy that enriched much of Asia and left millions of people there far better off. Because of globalization many people in the world now live longer than before and their standard of living is far better….Globalization has reduced the sense of isolation felt in much of the developing world and has given many people in the developing countries access to knowledge well beyond the reach of even the wealthiest in any country a century ago….New foreign firms may hurt protected state-owned enterprises but they can also lead to introduction of new technologies, access to new markets, and the creation of new industries (Stiglitz 2002). We would thus be unbalance and insincere in our argument if we say that globalization is an absolute failure, which is it’s without its own benefits some of which have been outlined above.

But the contradiction in globalization is that it does not benefit everyone. Steger (2003) stated that when the markets goes too far in dominating social and political outcomes, the opportunities and rewards of globalization are spread unequally, concentrating power and wealth amongst a select group of people, regions, and corporations at the expense of multitude. Steger analyzed a data published in the 1999 and 2000 editions of the UN Human Development Report. It showed that, before the onset of globalization in 1973, the income ratio between the richest and poorest countries was at 44 to 1. Twenty-five years later it had climbed to 74 to 1. In the period since the end of the cold war, the number of persons subsisting below the international poverty line rose from 1.2 billion in 1987 to 1.5 billion today. If current trends persist, their numbers would reach 1.9 billion in 2015(today). This means that at the down of the 21st century the bottom 25% of humankind live on less than $140 a year. Meanwhile the world’s 200 richest people have doubled their net worth to more than $1 trillion between 1994 and 1998. The assets of world’s top three billionaires are more than the combined GNP of all the least developed countries and their 600 million people. Hoogvelt (2001) argued that globalization has rearranged the architecture of world order. Economic, social and power have recast to resemble not a pyramid but a three tier structure of concentric circles. All three circles cut across national, regional boundaries. In the core circle we find the elites of all continents and nations, albeit in different proportions in relations to their respective geographical hinterlands. We may find in this core some twenty percent of the world population who are bankable. They are encircled by a larger, fluid, social layer of between 20 percent and 30 percent of the world population (workers and their families), who labour in insecure form of employment, thrown into cut throat competition in the global market. State of the art technology, frenzied capital mobility and neo liberal policies together ensure both a relentless elimination of jobs by machines and a driving down of wages and social conditions to the lowest global denominator. The third and largest concentric circle comprises those who are already effectively excluded from the global system….. For globalization as we have seen, is linked systematically with social exclusion, meaning that as globalization proceeds, more and more and more social groups, segments of population, as well as whole areas and regions, are being excluded from its benefits.
Globalization has led to more inequality than ever, even within the countries of the north there is disparity in economic wellbeing. Globalization claims to bring the world together but the dialectics is that no other phenomenon in history has created divisions in the world than globalization. Large section of the world are systematically excluded from globalization, they are only mere productive signpost. In fact Castells (1997) referred to sub Sahara Africa as the switched off region in the world. This argument is further explained later in this paper.

Globalization is the logical consequence of capitalism, there was nothing to be done about that, even Marx predicted it in communist manifesto. But this is my thesis, the world was not prepared for globalization, it was sped up, it was not meant to be this early and that is why we are having a serious backlash. Every part of the world is affected by it but not every part of the world is reaping positively from it, a large part of the world is paying direly for globalization and this would continue into the future because globalization was not allowed to evolve which would definitely had happen if it had not been triggered by the forces of capitalism driven by neoliberal ideology. That is why there is wholesome disparity in development and negative human condition in large part of the world. Terrorism, African problem, Arab spring and other crisis are a proof of this.

5. Merchants of Globalization

No other international institutions perpetuate globalization better than the Bretton wood institutions of World Bank and IMF, and also the world trade organization (WTO). There is no understanding of globalization in the absence of these institutions. They are the merchants of globalization. They play a very strong role in world finance and trade. Stiglitz (2002) opined that to understand what went wrong with globalization, it’s important to look at the three main institutions that govern globalization: the IMF, the World Bank and the WTO. But these three institutions have become controversial and have been object of criticisms around world.

The international monetary fund is the central banker’s central bank. The IMF is an international organization that tries to create stable and responsive international financial relations among nations, just as central banks seek to create a favourable financial climate within each country’s borders…….The IMF’s most controversial function is to serve as lender of last resort in international finance. That is the IMF stands ready to make loans to keep debtor nations from collapsing under the weight of their obligations. The IMF’s help however is “conditional”. Countries that seek the IMF’s help must be willing to accept the sorts of austere measures that it generally recommends. (Balaam & Veseth 2001). The World Bank they continued is another creation of the Bretton Woods system. Its official name is the International Bank for Reconstruction and Development (IBRD), which they claimed is a bit more descriptive. In the period immediately after World War II, The World Bank funded efforts to reconstruct the economies of war-torn Europe.

Balaam &Veseth (2001) opined that the World Bank is controversial and its motives have been questioned. The bank make loan for economic development purposes; it can make loans to improve railways or irrigation systems, for example since such project stimulate economic growth, but it cannot make loans to improve social justice or reduce income inequality unless
a financial return is likely. But the activities of the IMF and the World Bank is much more controversial than this simplistic criticism by the authors. The enormity of their responsibilities in the present neo-liberal arrangement have left no one in doubt that they are ideological outpost of the tripartite alliance especially north America. Perhaps Stiglitz gave a deeper insight into the nature and workings of these two institutions. His analysis is stated in the next paragraph.

The IMF and the World Bank both originated in the World War II as a result of the UN monetary and financial conference at Bretton Woods, New Hampshire, in July 1944, part of a concerted effort to finance the rebuilding of Europe after the devastation of World War II and to save the world from future economic depressions. The proper name of the World Bank, the International Bank for Reconstruction and Development reflects its original mission; the last part “Development” was added almost as an afterthought. At the time, most of the countries in the developing world were still colonies, and what meager economic development efforts could or would be undertaken were still considered the responsibility of their European masters. The more difficult task of ensuring global economic stability was assigned to the IMF. Those who convene at Bretton Woods had the global depressions of the 1930s very much on their minds. Almost three quarters of a century ago, capitalism faced its most severe crisis to date. The great depression enveloped the whole world and led to unprecedented increases in unemployment. At the worst point, a quarter of America’s work force was unemployed. The British economist, John Maynard Keynes who would later be a key participant at Bretton Woods, put forward a simple explanation, and a correspondingly simple set of prescriptions: lack of sufficient aggregate demand explained economic downturns; government policies could help stimulate aggregate demand. In cases where monetary policy is ineffective, government could rely on fiscal policies, either by increasing expenditures or cutting taxes. While the models underlying Keynes’s analysis have subsequently been criticized and refined, bringing a deeper understanding of why market forces do not work quickly to adjust the economy to full employment, the basic lesson remain valid. The IMF was charged with preventing another global depression. It would do this by putting international pressure on countries that were not doing their fair share to maintain global aggregate demand, by allowing their economies to go into a slump. When necessary, it would also provide liquidity in the form of loans to those countries facing economic downturn and unable to stimulate aggregate demand with their own resources. In its original conception, then the IMF was based on recognition that markets often did not work well, that they could result in massive unemployment and might fail to make needed funds available to countries to help them restore their countries. The IMF was founded on the belief that there was a need for collective action at the global level for economic stability. Stiglitz continued, stating that the IMF is a public institution established with money provided by taxpayers around the world. This is important to remember because it does not report directly to either the citizen who finance it or those whose lives it affects. Rather it does to the ministries of finance and central banks of the government of the world. They assert their control through a complicated voting arrangement based largely on the economic power of the countries at the end of the World War II.
Stiglitz stated further that the IMF has changed markedly from its original conception. Founded on the belief that markets often worked badly, it now champions market supremacy with ideological fervor. Founded on the belief that there is need for international pressure on countries to have more expansionary economic policies, such as increasing expenditures, reducing taxes or lowering interest rates to stimulate the economy. Today the IMF typically provide funds only if the country engages in policies like cutting deficits, raising taxes, or raising interest rates that lead to a contraction of the economy.

Even from inception, these twin institutions were not originally created to see to the affairs of the developing world, which was not part of the agenda that necessitated their formation especially given the fact that most of them were still under their European masters. The World Bank was simply formed originally for the sake of the war torn Western Europe, it was the medium through which the Marshall plan was implemented and loans disbursed to European countries. Its major function was to reconstruct Western Europe. There is no how the American hegemony could be effectively perpetuated without an alliance with Western Europe, thus they are a part of the tripartite alliance which also include North America and Asia pacific. The World Bank is an ideological instrument whose responsibility is to protect the American interest and perpetuate its hegemony. Thus after the reconstruction of Europe, America’s long standing and needed ally, The world Bank perhaps assumed new responsibility which was bestowed on it during the era of Reaganomics and Thatcherism, That is to espouse and perpetuate and implement neo-liberal market principles which was basically at the expense of the developing world who were not the original import for its creation. The IMF on the other hand had not even been secretive about the fact of American preponderance on its activities; it has pursued its neoliberal market policies with unrepentant ideological fervor. It has been directly involved with countries and most of its policies have further deepened the economic crisis that countries face, especially developing countries. The Soviet states that emerge as independent countries after the fall of the Soviet Union, have not fared better even after taking IMF prescription and they have been unable to prevent major economic crisis in the world.

The most dramatic change in these institutions occurred in the 1980s. The era when Ronald Reagan and Margaret Thatcher preached the free market ideology in the United States and United Kingdom. The IMF and the World Bank became the missionary institutions, through which these ideas were pushed on the reluctant poor countries that often badly needed their loans and grants. (Stiglitz 2002). He echoed my thought about the point at which both institutions though with different objectives became unified in their responsibilities, so that when we mention World Bank, it automatically means we are also referring to the IMF. Stiglitz opined that although the mission of these two institutions remains distinct, it was at the era of Reaganism and Thatcherism that their activities became increasingly intertwined. He continued that the Bank went beyond just lending for projects (like roads and dams) to providing broad-based support, in the form of Structural Adjustment loans; but it did this only when the IMF gave its Approval, and the approval came with IMF-imposed conditions on the country. The IMF was supposed to focus on crisis; but developing countries were always in need of help, so the IMF became a permanent part of life in most of the developing world.
Both the IMF and the World Bank had not at any point in time created other alternative developmental strategies, which had not helped but make matters worse. Their decisions have not been guided by the best economic rationalization but strictly by ideology and political interests. The World Bank was to reconstruct the core because of the damage done to it by the World War II by simply engaging in the opposite of what it preached in the 1980s till date which was contraction of government spending. But this is not however surprising since we have stated earlier that all these are part of a neoliberal agenda which is its driving ideology whose aim is to spread the ideas and values of the Hegemon at the centre. The whole world is going in line with the neoliberal agenda whether tacitly or the other way round, and no other global institutions spreads these ideas better than the IMF and the World Bank and also the WTO.

The WTO preached trade liberalization that is free trade or practically, a reduced tariff system; it preached removal of subsidy even though America has continually subsidized its agricultural sector. Most of it policies are dangerous to the survival of developing countries since these countries does not have what it takes to compete with foreign industries that are much more advance, there is no country that does not need a degree of trade protectionism to enhance the development of infant and local industries. Perhaps WTO successfully completed what the other twin institutions could not achieve.

6. The Search for Theory

How best can one offer an empirical explanation to the political economic event of the present world, what theory best explains the thesis of this paper embedded in the previous discourse? What exactly are we in search of? We are in search of the near perfect theory to explain the undesirable and inevitable triumph of globalization and its preponderance on virtually every aspect of our lives whether we agree or not. What is the context under which it can be explained? May be the best context is the allusion of Fukayama about the end of history and the last man. Wow, we think that is a formidable premise, by this, we also mean it is a contestable one which of course is presently not the subject of this paper. Francis talks about the end of history, He didn’t finish there, he concluded with “and the last man”. The implication of this is that history is replete with contest of ideas vying for supremacy, and at every historical junction, there are dominant ideas and theories that determines the organization of the state and its apparatus. History in Fukayama’s context is full of activities and struggle. Thus history coming to an end however brought to an end struggle and contest among the various ideas for supremacy as one of the ideas and theory has emerged dominant and victorious. This dominant idea in Fukayama’s thesis is liberalism, it is the last man which has withered the storms of history, overcame mercantilism, survives feudalism and outrun communism. To him the end of history legitimizes the last man, we have gotten no choice to accept it even if we don’t want to, the Soviet Union collapsed and was at its mercy, the Chinese began a tacit and gradual inculcation of some market principles to exist alongside their variant of communism, the world is being enmeshed into one global pool masterminded by Fukayama’s last man who is also culpable with regards to the crisis in north Africa labeled Arab spring. Here is Francis Fukayama’s own assertion:
“.....I argued that a remarkable consensus concerning the legitimacy of liberal democracy as a system of government had emerged throughout the world over the past few years, as it conquered rival ideologies like hereditary monarchy, fascism and most recently, communism. More than that however, I argued that liberal democracy may constitute the “end of mankind’s ideological evolution” and the “final form of human government,” and as such constituted the “end of history.” (Fukayama 1992).

Fukayama had perhaps shown us a direction, it is his liberal world that we would look into, thus our frame work of analysis would be liberalism and its various stages even down to the Keynesian compromise and neoliberalism, what George Soros called market fundamentalism. We also want to see how it constitutes an ideology and also its hegemonic dimension, Above all, the history of this idea is germane, here the works of Polanyi (1994) would be intellectually reviewed to examine his analysis about the history of the liberal creed.

7. Liberalism

Liberalism can be traced back to the eighteenth century, to be more specific classical liberalism can be traced back to this period. It started with the writing of Adam’s smith: the Scottish born forerunner of political economy and also with his contemporary in France, Francois Quesnay, leader of a group of French philosophers called the physiocrats, Quesnay condemned government intervention in the market based on his believe that it brought harm to the society (Balaam & Veseth 2001). The motto of the physiocrats was “laissez-faire, laissez-passer,” meaning “let be, let pass” but said in the spirit of “Hands off! Leave us alone!”

The liberal thought or theory is the underlying factor or ideology behind industrial capitalism, what prevail in the era before liberalism was said to be trade capitalism which is dominated by the state for nationalistic ends, it is called mercantilism or economic nationalism. Thus the liberal creed is a reaction against the mercantilist thought of the time; liberalism is a reaction against mercantilism. Humanism, individualism, reason, freedom, libertarianism, choice are the core values of liberalism most of which have their root in the renaissance and enlightenment ages. Hence, liberalism believes in the freedom of the individual, it also believes in free market and private property. Thus it believes that it is the individual that constitute the general not the general to the individual, in other words when individuals are allowed to pursue their individual interest, it would transcend into something better for society, and this explains Adams Smith’s statement:

Adam Smith, the forerunner of liberalism believes that the market should be allowed to take its course and the state should not interfere in the running of the economy. He propounded the principle of the “invincible hands”, here Smith believe that the market is capable of augmenting itself even in times of conflict and that this invincible hands establishes equilibrium in the realms of a market economy, in other words Smith believe that the market is self regulatory and thus the state should desist from interference. Watson (2004) wrote that Smith held that society was such that, although individuals did indeed take actions that would secure them personal advantage, the greatest advantage to society as a whole would be achieved by allowing them to do so. Liberals in the eighteenth century according to Watson
argued for the inherent value of the individual, advocating that individuals should be able to take part in economic activity free from any control by the state. Doing this, liberals believe would lead to harmony of self-interests. He continued that in contrast to mercantilism, with its strong role for the state, the roots of liberalism lie in the notion that governments can often be too intrusive in state’s economic activity. The basic notion behind ‘classical liberalism’ then is that government intervention should be kept at a minimum. Rather, the key mechanism for any liberal is the market. Taking part in market activities is seen as a positive-sum game in which every participant gains.

Liberalism assumes that politics and economics, at least exist ideally, in separate spheres; it argues that markets in the interest of efficiency, growth and consumer choice should be free from political interference (Gilpin 1987). It is important to quickly state here that though scholars believe that there is political liberalism and economic liberalism, but I do not expressly subscribe to that point of view. But this is not the place to debate that. For this work we are using the liberal theory in its original context devoid of the separatist element, I adopt it in a political economic context.

To Gilpin (1987) all forms of economic liberalism are committed to the market and the price mechanism as the most efficacious means for organizing domestic and international economic relations. He continued that liberalism may in fact be defined as a doctrine and set of principles for organizing and managing a market economy in order to achieve maximum efficiency and economic growth and individual welfare. Economic liberalism assumes that a market arises spontaneously in order to satisfy human needs and that once it is in operation, it functions in accordance with its own internal logic. Human beings are by nature economic animals, and therefore markets evolve naturally without central direction. Liberals view the fundamental tension between state and market as a conflict between coercion and freedom, authority and individual rights, autocratic dogma and rational logic. Appalled by the abuses of church and state authority dating from feudal days, the early liberals saw a kind of salvation in individual freedom, voluntary association, and rational thought. The market, in their view, was an admirable distillation of the values and characteristics that they advocate. The liberal view, then, comes down heavily on the side of the market when choosing sides between state and market….. A free market is just one element of the liberal view (democratic government is another), but it is a very important one.

The foregoing is the core of the liberal creed that is the basis of exactly what it stands for. The foundation of the various variants that it has assumed over time: but liberalism has re-evolved overtime and has emerged into various forms before it arrived at the neoliberal forms it is today. It is thus important to examine the various stages and variants of liberalism which started as a result of the crash of classical liberalism explained here at the end of the First World War.

### 8. Keynesian Compromises

This is the variant of liberalism that emerged with the Bretton Wood system. It is also called “embedded liberalism”. It emerges as a result of the failure of the classical liberal system driven by the gold standard at the end of the First World War which led to the great
depression of 1930s.

John Maynard Keynes was a British economics. His thought shaped liberalism and his version of liberalism is the link between classical liberalism and neoliberalism. Keynes version of liberalism was influenced majorly by the First World War and the depression that comes after as a result of the failure of the world capitalist system. His version of liberalism believe that the market should not be totally left alone but should be regulated at some point to guild against crisis, He believe that the state and the market can cohabit together, in Keynes thought, the market and the state was combined in a such a way that it relies on the “invincible hand” on a narrower range of issues and see a larger, but still limited, sphere of constructive state action. Keynes believes that the invincible hand cannot effectively regulate the market and cannot avert the capitalist crisis. Keynes cited in Balaam & Veseth(2001) stated thus:

Let us clear from the ground the metaphysical or general principles upon which from time to time, laissez-faire has been founded. It is not true that individuals possess a prescriptive “natural liberty” in their economic activities. There is no “compact” conferring perpetual rights on those who have or those who acquire. The world is not so governed from above that private and social interests always coincide. It is not so managed here below that in practice they coincide. It is not a correct deduction from the principle of economics that enlightened self interest always operates in the public interest. Nor is it true that self interest generally is enlightened; more often individuals acting separately to promote their own ends are too ignorant or too weak to attain even these. Experience does not show that individuals, when they make up a social unit, are always less-sighted than when they act separately.

Hence Keynes believe that the individual interest cannot be substituted for the common good and that the individual and market actions cannot effectively make wise decision when it comes to the unforeseen future

Keynes argued that the state should spend and invest when individuals would not to offset their collective irrationality. In principle, he wrote, the state spend on anything even putting money into old bottles, burying them at the bottom of old coal mines, then hiring the unemployed to dig them out as long as its rational programme offset the collective irrationality of individuals. In other words, Keynes thought that the state could and should use its power to fortify and improve the market, but not along the aggressive nationalistic lines of mercantilism and not with the oppressive force of communism. Hence Keynes doubted that people are invariably rational in their behaviour. The stock market he said was influenced “animal spirits” of traders… (Balaam & Veseth 2001)

Hence this view of Keynes shaped the post classical liberal era of between 1945 through 1970s. It was what determines the Bretton Woods global economic institutions and their functioning, the state was to mediate in the activities of the market in order to moderate inflation, control unemployment and enhance economic growth. Balaam & Veseth (2001) wrote that Bretton Woods can thus be thought of as something of a compromise between a strong market and a strong state (hence “Keynesian compromise”), or as a strong state
embedded in a strong market ("embedded liberalism").

It should quickly be noted that overtime, within the period of the Keynesian compromise. *Liberal* came to be associated with a strong state as advocated by Keynes, thus *liberal*, a view that emphasizes the market came to mean emphasis on the state. As Balaam & Veseth puts it, the opposite of this new "liberalism" is the old liberalism," which came to be called conservatism! In most respects, contemporary conservative views came to mirror those of the classical liberals, such as Adam Smith. Keynesian compromise broke down in the 1970s, Classical liberal view took the fold and reached their zenith in the 1980s and thus became the dominant ideology. It masqueraded itself in different guise, i.e. neoliberalism, neo-conservatism, market fundamentalism, Reaganomics and Thatcherism.

9. Neo-Liberalism

This is a return to classical liberalism where the market plays a dominant role in economic determinism; it has assumed different titles such as neo-conservatism, market fundamentalism e.t.c. It came up fully during the reign of Reagan and Thatcher in United States and United Kingdom respectively. They both advocated free markets at home and on the international front and minimal state interference in all spheres of activity. It emphasizes privatization of state run enterprise and deregulation of the market.

Steger (2003) posits that Reagan and Thatcher led the neoliberal revolution against Keynesianism, consciously linking the notion of globalization to the liberation of economies around the world. This new neoliberal economic order received further legitimation with the 1989-91 collapse of communism in the Soviet Union and Eastern Europe. Steger further state that concrete neoliberal measures include: Privatization of public enterprises; deregulation of the economy; liberalization of trade and industry; massive tax cuts; monetarist measures to keep inflation in check, even at the risk of increasing unemployment; strict control on organized labour; the reduction of public expenditures, particularly social spending; the down-sizing of government; expansion of international markets; the removal of controls on global financial flows.

This neoliberal measures is what drives global political economy and the wheel behind increasing globalization of trade and capital and at the same time enhanced the role of IMF and the World Bank. It has also been responsible for the increasing influence of multinational and transnational companies.

10. Neo-Liberalism as an Ideology and Hegemony

Neo-liberalism is a preponderance of the market and its principles on all societal activities. It is the expansion and pervasiveness market principles and ideas which determine the economy, politics, and overall social relations of production in the state. By this explanation, we are saying that Neo-liberalism is an ideology, a system of ideas that guides the everyday activities of the people in relation to the state and the economic structure. We are saying that Neo-liberalism as an ideology determines the economic process and it is the dominant belief that stimulate and explains the kind of productive system, set up, relations that manifest in a state.
Heilbroner (1985) cited in Gilpin (1987) uses ideology to refer to “systems of thought and belief by which individuals and group explain how their social system operates and what principles it exemplifies”. Gilpin also sees ideology as a total belief system concerning the nature of human beings and society and is thus akin to what Thomas Kuhn has called a paradigm. Thus Neo-liberalism is a belief in the market and all its corollaries of freedom, individualism, trade liberalization, deregulation, privatization, reduced government expenditure etc. the unrepentant belief in the potency and effectiveness of market principle, and the permeating of every aspect of social economic life including politics is what qualifies Neo-liberalism as an ideology.

Soros (2000) captures Neo-liberalism as an ideology in his work “open society”, although he gave it a new conception which he called “market fundamentalism”. But this is just playing on words, because the market is the core of Neo-liberalism, it is the relations of other corollaries to the market that constitute Neo-liberalism. So when he talked of market fundamentalism as been ideological, he was as well talking about Neo-liberalism. Soros stated thus:

The global capitalist system is supported by an ideology rooted in the theory of perfect competition. According to this theory, market tends toward equilibrium and the equilibrium position represents the most efficient allocation of resources. Any constraints on free competition interfere with the efficiency of the markets; therefore they should be resisted. The ideology was called “laissez-faire” in the nineteenth century, but I have found a better term for it: “market fundamentalism.” Fundamentalism implies a belief that has been carried to the extreme. It is a belief in perfection, a belief that provides a solution to every problem. It posits an authority that is endowed with perfect knowledge even if such knowledge is not readily available to ordinary mortals. Religion can be such an authority, and in modern times, science has become a credible substitute. Marxism claimed to have a scientific basis and so does market fundamentalism. The scientific basis of both ideologies was established in the nineteenth century, when science still promised to deliver the ultimate truth. We have learned a great deal since then about the limitations of scientific method and the imperfection of the market mechanism. Both Marxist and laissez-faire ideologies have been discredited. The laissez-faire ideology was the first to be dismissed, as a consequence of the Great Depression and the rise of Keynesian economics. Marxism lingered on despite the excesses of Stalinism, but following the collapse of the Soviet system, it is now in near total eclipse ………

President Reagan spoke of the “magic of the marketplace”, the invincible hands is powerful magic indeed…..Market fundamentalism holds that state intervention is inefficient and harmful; therefore nothing should be allowed to interfere with the market mechanism……Market fundamentalism plays crucial role in global capitalist system, it provides the ideology that motivates many successful participants and drive policy……

Soros belief that the sanctity of the market and the freedom allowed it to regulate itself and
determine outcome in the society is market fundamentalism and the ideology that drives its participants. Thus Neo-liberalism with its fundamental market principle is ideological and it perfectly explains the nature of the world. It is not wrong to say that Neo-liberalism is the driving ideology behind globalization; it is what explains the pervasiveness of market principles and also the activities of the Bretton Wood institutions. The market is going everywhere even in places it is not invited, it forces its entries and leaves such society with no choice, thus when we talk of globalization of capital, then we also implicitly mean that there is an initial globalization of the market which is fundamental because capital would not go where there is no market and not ordinary market, but that which is a periphery of the neoliberal grid. This is the belief system and the ideology of globalization.

But if ideology is not generic, it is systemic, scientific and at the same time rooted in values, especially given the fact that ideology does not only explains how the world works but also it contains normative proposition on how the world should work (Gilpin 1987). Then whose proposition is ideology, this leads us to the fact that Neoliberalism is hegemonic or rather it is a hegemonic instrument. There is an Hegemon that provides leadership for the world market economy that guide against instability who also make sure that its interest are kept and its ideas and values permeates the whole neoliberal global structure.

Hegemony legitimizes social economic processes. Hegemony is the permeation throughout society of a system of believe, morality, thought and values that gives legitimacy to the status quo. It is a series of organizing principles that is diffused through socialization which becomes internalized and accepted by the populace as the standard of behaviour. It is carefully thought out by the ruling class and permeated through socialization to the entire populace. Hegemony is guided and sustained by a Hegemon to give support to their processes. Through hegemony, the Hegemon controls the society and determines what their thinking should be and social relations. They believe what the class wants them to believe. However it would be interesting to say that a Hegemon provides leadership and watches over the system and also take responsibility for that system.

In the case of Neo-liberalism, it is believed that the tripartite alliance which comprises of the western Europe, United States and Japan at are the driving force behind Neo-liberalism and that the United States is the dominant Hegemon that watches over the global neoliberal structure. They stabilize the system. The neoliberal world is guided by America’s hegemony. The market principles are those popularized by Washington and its allies and permeated around the world through their merchants such as the World Bank, IMF, and WTO.

From the above argument, we can also deduce the theory of hegemonic stability. According to Balaam & Veseth (2001), this theory looks at the role of state and market in global economy and observes that international markets works best when certain international public goods are present. These public goods include such things as free trade, peace and security or at least a balance of powers and a sound system of international system….. the liberal theory of hegemonic stability asserts that when a hegemon arises, the world economy tend to grow and prosper, as the benefits of free trade, peace and security, sound money, and so forth, stimulate markets everywhere. When the hegemon fails, these public goods disappear and the
world economy stagnates or declines.

Globalization is America’s hegemony perpetuated by the forces in Washington, Tokyo, Berlin, Paris and London. We have explained earlier how the Marshall plan was being used to further America’s strategic interest and their liberal economy was being used to sustain this interest. Joe Quinlan, a senior analyst for American investment bank Morgan cited in Hoogvelt (2001), fears that globalization might be coming to an end precisely because ‘no one has reaped more benefits from globalization than the United States and Corporate America’. Hegemony advances the interest of the hegemon and legitimizes its actions, perhaps beyond the academia; only very few consider globalization as being harmful.

11. Sociological History of the Market Economy

We are not looking at the history of the market itself because it has been a part of man when commercialized exchanged began, and it should also be said that the market is a product of the propensity of men to barter and exchange if we may borrow Adam Smith’s word. What we are examining here is the historical provenance of the market economy, which is an attempt to proffer answer to when the market became the focal point of the economy, at what point does the economy began to be under the dictates of market principles? Or when the market began to direct and guide the productive interaction of the economy. At what point did the market began to exercise control over the economy. A large portion of my reasoning here would be based on Karl Polanyi’s classic text titled “the great transformation”.

We have argued earlier in this paper about the centrality of the industrial revolution of the eighteenth century on the development of liberal qua market structure. The industrial revolution was the key event that led not to the development of market but rather to the rise of market economy. The industrial production almost miraculously revolutionalize the process of production and the tools of production and led to a large scale increase in production which demands some certain precaution because at this stage the role of the merchants was bound to change, trade capitalism has immediately changed to industrial capitalism. It is important to quickly state that the period between the end of feudalism and industrial capitalism was mercantile period characterized by trade nationalism, a system in which merchants engage in external trade for national interest or in the interest of the state backed by the state, thus there was market then but the market economy which presupposes the preponderance of market principles had no come to the fore.

Thus the industrial revolution created a market economy but according to Polanyi (1944) How shall this revolution itself be defined?, what was its basic characteristics, was it the rise of the factory towns, the emergence of the slums, the long working hours of children, the low wages of certain categories of workers, the rise in the rate of population increase or the concentration of industries? We submit that all these were merely incidental to one basic change, the establishment of market economy and that the nature of the institution cannot be fully grasped unless the impact of the machine on a commercial society is realized. We do not intend to assert that the machine caused that which happened but we insist that once elaborate machines and plants were used for production in a commercial society, the idea of a self regulating market was bound to take shape.
This is also my submission, the industrial revolution was built upon a commercially based agrarian society driven by mercantilism in England and Western Europe subsequently, it would have been difficult for it to be sustained under this mercantile period because of the new character and the shape production would be taking. It becomes more expensive to engage in production especially with the use of machine thus leading to the evolvement of new roles in productive partnership. Polanyi asserts as follows:

The use of specialized machines in an agrarian and commercial society must produce typical effects. Such a society consists of agriculturalists and merchants who buy and sell the product of the land. Production with the help of specialized, elaborate, expensive tools and plants can be fitted into a society only by making it incidental to buying and selling. The merchant is the only person available for the undertaking of this and he is fitted to do so as long as this activity will not involve him a loss. He will sell the goods in the same manner in which he would otherwise sell goods to those who demand them; but he will procure them in a different way, namely not by buying them ready made, but by purchasing the necessary labour and raw material. The two put together according to the merchant’s instructions, plus some waiting which he might have to undertake, amount to the new product. This is not a description of domestic industry or “putting out” only, but of any kind of industrial capitalism, including that of our own time…. Since elaborate machine are expensive, they do not pay unless large amount of goods are produced. They can be worked without a loss only if the vent of the goods is reasonably assured and if production need not be interrupted for want of primary goods necessary to feed the machines. For the merchants, this means that all factors involve must be on sale, which is they must be available in needed quantities to anybody who is prepared to pay for them. Unless this condition is fulfilled, production with the help of specialized machines is too risky to be undertaken both from the point of view of the merchant who stakes his money and of the community as a whole which comes to depend on the continuous production of incomes, employment and provisions.

Now, in an agricultural society, such condition would not naturally be given, they would have to be created. That they would be created gradually in no way affects the startling nature of the changes involved. The transformation implies a change in the motive action on the part for members of society: for the motive of subsistence, that of gain must be substituted, All transactions are turned into money transactions, and this in turn require that a medium of exchange be introduced into every articulation of industrial life. All incomes must derive from the sale of something or other, and whatever the actual source of a person’s income, it must be regarded as resulting from sale….. But the most startling peculiarity of the system lies in the fact that, once it is established, it must be allowed to function without outside interference. Profits are not anymore guaranteed, and the merchants must make his profits on the market. Prices must be allowed to regulate themselves. Such a self-regulating system of markets is what we mean by the market economy (Polanyi 1944).

Thus the merchants integrates production process with the market which is an entirely new role, he becomes a capitalist. Polanyi believe that the market pattern emerges as a result of international or external trade contrary to the believe in some quarters that it is a product of internal or domestic trade. The implication of the following even though Polanyi did not
expressly state it is that the state is part of the process; the state is required to maintain the
system, the state in the actual sense created the market economy. It would not have been
possible for the merchants to achieve this if they don’t conspire with the state. The state is the
first guarantor of the market economy before its distillation across society. Thus the market
economy did not naturally evolve; rather its creation is a product of the conspiracy between
the state and the merchants who became the capitalists. Thus the non intervention of the state
in the latter processes of the market began when it was sure that the market was fully
developed and matured enough to handle economic vicissitudes and this non intervention is
an agreed withdrawal. Thus for me, the state is always available, always on the byline at the
beck and call of the capitalist when there is a need, the same applies to the capitalist and the
market. Thus the so called market economy is an economic conspiracy, the invincible
qualities attributed to it is an economic scam and sham. The market is just an instrument
between the neoliberal state and the capitalists.

12. The Birth of the Liberal Creed

Economic liberalism was the organizing principle of a society engaged in creating a market
system. Born on a mere penchant for non bureaucratic methods, it evolved into a veritable
faith in man’s secular salvation through a self regulating market. Such fanaticism was the
result of the sudden aggravation of the task it found itself committed to…..The liberal creed
assumed its evangelical fervor only in response to the needs of a fully developed market
economy.(Polanyi 1944). Liberalism is the guiding ideology behind the market, though as
Polanyi has said its propagation is a response to the needs of a fully developed market.
Liberalism is the creed that propagated and globalized the market economy. Liberalism itself
as an ideal has its root in the renaissance and enlightenment principles of humanism and
individualism and reason.

However, it is also a related to the French word laissez-faire which means let us be or let be.
But according to Polanyi, this word was given a narrow meaning which meant freedom from
regulations in production. The liberal creed espouses a self regulating market where the state
is not expected to interfere. But in the real sense of it, the western European countries took a
gradualist approach to it, some aspect of industries were protected to guide against their
closure. Polanyi wrote that there was nothing natural about laissez-faire, free market could
never have come into being merely by allowing things to take their course. Just as cotton
manufacturers the leading free trade industry were created by the help of protective tariffs,
export bounties and indirect wage subsidies, laissez-faire itself was enforced by the state.

The argument for us here is that in spite of Liberalism, nationalism still play a key role when
it comes to making decisions, the market was being made to function in its self regulating
style by the state, it still remains within the realms of the state and an instrument of national
interest as we could see in the American global hegemony.

The reality is that the free market is not free; the godlike market that is devoid of interference
is an ideological mirage. The irony is that the free market system is created and enforced by
the state. There is no country that has developed today that did so by liberalizing the market
even Adam Smith acceded to the fact that protectionism is needed at the early stage of a
country’s growth. Though there is no denying the fact that there is a global market, Gradualism is the key, states still retain their sovereignty and are free to join the market at their own pace.


The state is central to advancement in any society, every society that has developed or advanced its production tools, production relations and has improved its human condition owe it to the state. The state still remain the only institution that can effectively create a platform for capital accumulation to advance its own end the absence of which there can be no appreciable level of development. That is why state formation process is central and important, the ends of the state, it sociology, in whose interest is the state? Because once you lay hold on the state, the entire society is at your mercy. Only the state can capture power to achieve its own end, and the ends of the state are considered the end of all. Perhaps we can adduce that the reason for this is that the state is a neutral institution that mediate between classes and synergize their ends to create a unified end in its own interest. But all these are only possible in a society that the state owes its origin or its inception to their own doing or the state evolves from within that society and not a manufactured foreign imposition. The reason why this is important is that the state only serves the interest of those that formed it.

Can we say this of the African state? All pre colonial states in Africa were truncated in their formative process and were not allowed to build a formidable hegemony? None of them survived colonialism, which was the first institution that fell under the attack of global capitalist expansionism supported by what is today known as Neoliberalism. Thus there is no Original African state that passed through an indigenous state formation process even after colonialism; no state has dismantled this colonial state structure to build a new one. It actually became near impossible because the colonial state is a product of several unholy alliances which has distorted the entire African societal structure leading to struggle for the capture of state power by various elements as a result of the principle of divide and rule that was introduced by the western colonial powers. This distortion has led to various crises of legitimacy and even civil war and recently terrorism the culmination of which has made Africa a continent in crisis.

Hence, the African state is a neoliberal set up or outpost, it was establish in the interest of western capitalism and to advance neoliberal agenda. Its political economy is founded on class polarization and destructive relationship with the material existence of social live. The African state was set up in the interest of the political economy of the colonizing powers of Western Europe and recently North America. As a foreign neoliberal set up, it is built upon the ashes of the local and indigenous political economy and the traditional system which it met on ground. The market was to determine the destiny of all those in colonial Africa, it was to crush every opposition in its way and subject colonial labour to a market that they were not used to in order to advance the interest of the colonial powers. Some African states tried to reverse the trend, but they were too in to be out, and perhaps they lack the institutional structure, and class to undertake such enormous task. Polanyi (1944) examine the effect of this on indigenous labour, he stated that to separate labour from other activities of life and to
subject it to the laws of the market was to annihilate all organic forms of existence and to replace them by a different type of organization, an atomistic and individualistic one. This was what was done in Africa; labour was separated from the activities of social life and given a western labour style structure. Polanyi further stated that this effect of the establishment of a labour market is conspicuously apparent in colonial regions today. The natives are to be forced to make a living by selling their labour. To this end their traditional institutions must be destroyed, and prevented from reforming since as a rule the individual in primitive society is not threatened by starvation unless the individual as a whole is in a like predicament.

This neoliberal agenda has not changed from what it was in the colonial decade, capitalism is founded on a liberal ideology, its aim is integration and expansion of the market, opening up of remote areas to address the inherent contradiction of capitalism a product of its internal logic. It has not stopped even now. The tussle in the cold war era was to perpetuate this globalist neoliberal agenda, the SAP programme was aimed at opening up outside markets and integrate them to the capitalist grid, this is not possible without the neoliberal ideology which is aimed at reducing state influence on the market, the same applies to the Washington consensus and the likes, they are all aimed at creating one economic god which is the market. No part of the world have been more hit by the sociological misplacement of the application and mercantilism of Neo-liberalism, the African state as a neoliberal set up is a contradiction of pre-colonial African arrangement. It lacks ideology and coherence and clear hegemony, one of the reasons why it became difficult but not impossible to reverse the misnomer of colonialism. The inherited state was an ideological outpost of Neo-liberalism that lacks the killer instinct that the indo Chinese and the developmental states of East Asia had which helped to quickly reverse the trend. May be we would say that Nyerere’s Ujamaa was different, but it actually in the real sense serve to substantiate our thesis, Ujamaa in spite of its ideal qualities and African’s was not a success and had to be abandoned because it failed to yield result and at the same time the socioeconomic conditions upon which it was planted was not African but rather neoliberal structure that was inherited from the west. It lacks the socio-cultural support mechanism that can engender growth. The contradiction again was that it was not allowed to evolve; it was planted, especially on a perverted capitalist foundation. If it had evolved, it would probably generate its own socio economic support mechanism. Although the system has an African origin, but it was truncated by neoliberal economic evangelism which distorted and supplanted the local system, not only this but created pseudo institutions to advance the neoliberal agenda. Thus going back to that African structure without either tacitly and carefully subverting the neoliberal state structure and or systematically allowing the old structure to evolve became the cog in the wheel of Ujamaa.

14. The Neoliberal set up in a Neo-Patrimonial Character

Neo-liberalism, the preponderance of the market, the condition under which it can grow in relation with the sociology of Africa, the self regulating market liberal ideology though with its inherent disadvantage evolved in Western Europe as a corollary of the industrial revolution was brought to Africa. Such system was never allowed to evolve rather was implanted and then it distorted the local political economy. Apart from western Europe and north America
and relatively Japan, the market had not had a pristine evolvement and development in any other part of the world it has rather been an imposition and apart from this three region, no country reached the apogee of advancement in the liberal fashion, East Europe, China, Indo Asia etc evolve a new pattern towards development.

Thus the consequence of the colonial distortion of African political economy was the neoliberal state set up which became neo-patrimonial states to borrow Kohli’s term. According to Kohli (2009), Neo-patrimonial states lack a clear distinction between the public sector and the private sector which is a major characteristic of modern states. They are distorted states with weakly centralized and barely legitimate authority structures, personality leaders unconstrained by norms or institutions, and bureaucracies of poor quality. In a neo-patrimonial state, public office holders tend to treat public resources as their personal patrimony. Hence, these kinds of states are not really modern, rational-legal states. Whether they are organized as a nominal democracy or as a dictatorship. State-led development under the auspices of these types of states has often resulted in disaster, mainly because of both public goals and capacities to pursue specific tasks in these settings have repeatedly been undermined by personal and narrow group interests. Kohli further argued that the neo-patrimonial states like his other conception of cohesive capitalist states of East Asia and the fragmented multi-class states of India and Brazil intervened heavily in their economies but with disastrous results.

Neo-patrimonial states often emerge in societies with weak private sector; these states appropriated scarce economic resources and diverted them everywhere but toward productive investment. It is believed that most of the countries in the developing world that are still in the quagmire of underdevelopment are examples of this type of state. But in Kohli’s view Nigeria best exemplified this ideal typical tendency.

Kohli asked the question, why some part of developing world has ended up with cohesive capitalist states, others with neo-patrimonial states……. He gave an answer that is mainly historical, but what interests us here is his view that colonialism is responsible for this. He argued that the impact of colonialism on state formation was especially significant because most developing countries state are product of colonialism, and their respective forms are molded decisively by this encounter, with lasting consequence. He gave two extreme historical examples to illustrate his point. He cited the South Korea’s cohesive capitalist state which originated during Japanese colonial rule which differed from the colonialism of European powers. As late developers he stated, The Japanese made extensive use of state power for their own economic development, and they used the same state power to pry open and transform Korea within a relatively short period of time. The Japanese colonial impact was thus intense, brutal and deeply architectonic. Three patterns of what eventually became South Korea’s cohesive-capitalist, growth promoting state originated within this period: a relatively corrupt and agrarian bureaucracy was transformed into a highly authoritarian and penetrating political organization; the state established close and working production-oriented alliances with the dominant classes; and well developed system of state control of the lower classes was created. Overtime as one would expect, these structures were battered by numerous new forces and some significant changes ensued. Nevertheless, the core state-class
characteristics endured, eventually providing South Korea with a framework for the evolution of a high-growth political economy. By contrast, the British colonialism in Nigeria created a highly distorted state that readily evolved into a neo-patrimonial and ineffective set of political organizations. Britain ruled Nigeria on cheap, expending as little energy as possible. Within the shell of a modern colonial state and cloaked in the ideology of indirect rule, The British essentially utilized various “traditional” rulers to impose order. At its core, colonialism in Nigeria thus reinforced a pattern of patrimonial and personality rule that failed to centralize authority, to develop an effective civil service, and relatedly to even such minimal political capacities as the ability to collect direct taxes. The public realm that came into being was barely demarcated from private and sectional interests in terms of both culture and organization. After the Second World War, when the colonial state’s access to resources grew and the state became more and more involved in the economy, these distorted beginnings were further accentuated, as the state became further enmeshed in particularistic and personality networks. The political elite of sovereign Nigeria were never able to overcome the original deficiencies of state construction. They simply went from crisis to crisis, both controlling and wasting the society’s scarce resources.

Hence the African state became neo-patrimonial lacking a clear cut ideology with absence of well differentiated state structures. It was not a real state, but a structural convergence that lacks the capacity to engender positive domestic class interest and create a parallel point for all the classes in the interest of the state. This is so because it was a mere neoliberal ideological outpost forged in the era of colonialism for imperialistic ends and to further fulfill the supposed manifest destiny of capitalism which is globalization.

The consequence of this neoliberal formation with a neo-patrimonial character of the African states was the debt crisis of the 1980s. The neo-patrimonial state became too involved and powerful especially in the absence of a well effective local bourgeoisie, the state became so attractive to the extent that its control generated crisis. Hoogvelt (2001) sums it up this way: In the absence of a home grown capitalist bourgeoisie and strong civil society traditions, a bureaucratic state was fashioned and financed to perform a welfare and accumulation role by an international policy consensus that cared much about land access than the promotion of democracy. As intermediaries between their people and financial resource flows from abroad, the states became the main source of income, and the control of the state became a matter of survival. Hoogvelt believe that the debt crisis Africa found itself was caused by the international community of donors for reasons of keeping Africa within the capitalist bloc in the cold war era and as a result found no reason to sanction the kleptocratic and corrupt elites who were misusing these loans. The other reason hinged on the theory of late development and the need to catch up with the west. The unpaid loan led to a debt crisis in the 1980s which led to the intervention of the IMF with their Structural Adjustment conditionality’s which was majorly neoliberal policies of liberalization, removal of subsidies, devaluation, privatization, deregulation and reduction in government expenditure as usual. But SAP was another neoliberal disaster which further crashed African economies that got involved in it compared to those that did not adopt it. After which the Washington consensus became another conditionality which also went in the way of SAP.
Thus the African state is a state in crisis, which is incapable of auto centric development, it is a state in dilemmas and always at the mercy of international community, collectively with other state they lack the kind of personality that the seven Asian dragons had and the sheik kingdoms of the Middle East. It is in a concentric circle and out of time. The reality is that the African state is not aware of the world, and the world would never wait for it.

15. Globalization, Which Way Africa?

It is the tragedy of Africa that history has not given it time to catch up (Hoogvelt 2001). This is quite sympathetic yet we can’t deny the fact that there is an iota of truism in the statement. But it is also a greater tragedy that Africa had not caught up with time. The reality of the world is globalization even as we have argued earlier, it was triggered and was not allowed to evolve, so some how the world is not prepared for it especially given the disparity of the world. But there is nothing we can do about it. Globalization will come, globalization is here, globalization will happen and globalization is happening and this reality stares us in the eyes! Yes globalization is partial, globalization is a lie, what we mean by it been a lie is not to question its ontological existence but to challenge the myth that it offers equal opportunity, the myth that it has no central control and the myth that states have no choice in globalization. Globalization is everywhere but the paradox is that the world actually still remains unchanged! The core factor that makes nations great has not changed which is nationalism that is well channeled by a strong and effective state. National interest still guides state interactions like never before, despite globalization, the factor of national interest have not been overruled in international system. The cold fact is that national interest and nationalism is strictly guided by what social scientists called Social Darwinism. The international political economy is a question of who has the capacity to lay hold on the larger portion of productive interaction and forces for their own ends. Nations have population to feed and limited resources at their disposal, hence they pursue vigorously a mixed of Machiavellian policies clothed in the tunic of morality and democracy.

Africa has for too long seek the pity of the international community for her predicament, and have been ignorant of international politics. Foreign aids does not develop a nation, there is no nation in history that developed based on foreign aid and international pity, It is share hard work, commitment, decisiveness and renewal of the forces of production and vigorous mercantilism in the international arena that makes nations great. The Indians experienced our type of colonialism, yet they are fashioning out a model of development that amazingly shields them of global financial crisis. The seven Asian dragons experienced colonialism, but they turned the tide through a cohesive-capitalist state system peculiar to them.

Only very few African countries have attempted to understand their problem and make deliberate efforts to turn the tide. Rather African states have continually produced kleptocrats, sit tight politician who have brought back the continent a century behind the developed world.

The fact still remains that the state have not stop being the key to development even now, in spite of globalization. In fact there is no better time for Africa to catch up with the world than in the era of globalization with strong states with dynamic leadership. Globalization does not
put a stop to protectionism, states can join globalization at their pace and that is what I suggest for the states in Africa; Perhaps they should adopt a gradualist approach to advancing their development. The state has to be redefined beyond the present neo-patrimonial character and must begin to build hegemony. Globalization has given room for a new phenomenon which would be to the advantage of Africa; the new phenomenon is “Regionalism”. This is why it becomes necessary to put in mind Nkrumah’s concept of an “African personality, a voice for Africa from Africa.

Regionalism here brings Africa together as an economic bloc. Through this new principle, economic interaction can be prodigiously promoted in a way to create an internal or regional African market for all the countries in the continent to facilitate a continent base economic hub. This should not be done without putting into consideration the peculiarity of Africa, in order words, am saying that, Europe’s form of regionalism should not be adopted directly. But apart from Europe, the only continent that can constitute a bloc effectively still remains Africa. Regionalism within globalization offers Africa greater opportunities, the continent can effectively develop its own productive forces, and countries can come up with innovation and trade these new goods amongst themselves, within the region until they are ready to compete with the global market. A well developed regional markets ruled by standards agreed upon within the region could be effectively developed. It is with this peculiar form of regionalism that Africa can effectively tap the benefits of globalization and gradually and collectively join globalization at their own pace. This regionalism has the capacity to develop an international African personality as proposed by Kwame Nkrumah which can negotiate Africa’s cause in the global political economy.

History might be unfavourable to nations, but somehow nations often look for ways to circumvent the laws of history and in the process circumnavigate their course through time. A new state and a strong one is what is needed for Africa to negotiate its way in globalization but the starting point is regionalism, the advantages both economically and politically when it comes to considering Africa as a bloc must be fully and effectively tapped. Globalization for me is the end of history and an opportunity for Africa to outsmart the imperialist.

16. Conclusion

Margaret Thatcher the former British prime minister used to say ‘There is no alternative, if nothing can be done about the natural movement of economic and technological forces, then political groups ought to acquiesce and make the best of an unalterable situation. Resistance would be unnatural, irrational and dangerous’ (Steger 2003). As much as we do not completely agree with Thatcher that this movement is natural, we however subscribe to the fact that political group should make the best of this situation, and this we say for Africa, something has to be done and quickly too to maximize the dividend of globalization and reduce its woes and above all, only a strong state without neo-patrimonial character can resist the imperialistic tendencies of neo-liberalism and fashion out an African ideology towards development.
References


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