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Conceptual and Theoretical Foundation of Neoliberalism

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Abstract

Neoliberalism as an ideology patronizes consumerism and free market to ensure capital accumulation and concentration. It also imposes its political agenda through global economic interdependence, trade and financial markets. It criticizes state intervention model and provides explanations for its failure. As a mode of governance it is based on competitiveness, self-interest and decentralization. It also advocates individual empowerment and devolution of central state power to smaller localized units. Neoliberalism calls for the employment of governmental technologies that are derived from business and commerce. It could also be expressed in a formula "D-L-P": deregulation, liberalization and privatization. Neoliberalism argues that natural order moves towards equilibrium because market forces delegitimize public policies that interfere with natural laws. Neoliberalism suggests that the establishment of political institutions that interfere with natural order creates disorder in the society. Precisely, neoliberalism argues that state interference in market mechanisms is the cause of poor economic performance thus the capitalist class advocates a movement for the overthrow of Keynesianism and replaces it with neoliberalism. Indeed, moral entrepreneurism involves the ability of the capitalist class or business community to construct the crisis of accumulation and profitability to become a social problem that could be addressed by adopting neoliberal policies to generate economic prosperity. Neoliberalism is against the establishment of institutions that could interfere with the market forces. This phenomenon creates crisis of state power and becomes responsible for the crisis of accumulation and profitability among the capitalist class because the state relinguishes its power to market fundamentalism. This problem motivated classical Marxists and contemporary sociologists to encourage the capitalist class to organize themselves politically to response to the prevailing economic crisis. The class redefines political structures that are conducive to capitalist accumulation and guides by social structure of accumulation theory. Thus, the capitalist class unifies and mobilizes and redefines the political and legal frameworks to offset the destructive market forces. Therefore, state officials formulate public policies and establish state structures to institutionalize market equilibrium. In this circumstance, the destructive market forces were overcome through increased protection and limited free trade thus new order. Due to the role of class fractions in the production process, they have developed specific political and economic interests that could be different to those of other class fractions. These conflicting economic interests could generate opposing political interests and influence public policy formulation. This leads to the emergence of spontaneous order and change needed to overcome the crisis created by the forces of globalization. Therefore, commercial policy that is formulated by the state to address crisis of accumulation in an economy or in a part of a composition of capital has the tendency to bring new social order capable of institutionalizing changes in the prevailing economic quagmire.

Keywords: Neoliberalism, State, Power, Crisis and Change etc.

Introduction

Neo-liberalism has it origin from the economic doctrine that emerged in the Mont Perelin Society. The doctrine was based on market oriented economic system. It was founded in 1947 by Friedrich August Von Hayek, who was a prominent member of the early 20th century Austrian School of Economics. Hayek and his associates revived classical liberalism in their efforts to challenge the dominance of Keynesian economic doctrine that emphasized on state intervention in the management of the economy. Hayek believed that state intervention was a "road to serfdom" that could result to despotism. Furthermore, Hayek

economic theory was developed on the principles of "undistorted price mechanisms" that could allow individuals in the social formation to achieve their different ends without state interference (Hayek, 1999).

The neo-liberal doctrine advocated by Hayek's Mont Pelerin Society influenced the American Economist Milton Friedman, who was a member of Chicago School of Economics situated at the University of Chicago to expand the scope of neo-liberalism. In the 1950s neo-liberalism was a minority idea but with the works of Friedman, it became the leading economic doctrine in the 1990s. Challenging the Keynesian economic theory ie price control to guarantee low-income earners access to basic commodities, Friedman, developed his theory of monetarism (Friedman, 2005) [22]. The theory states that only self-regulating free market could determine the prices of goods produced by the working class. He was critical of state interference in the management of the economy because it could result to inflation. Precisely, Friedman advocated that anti-inflationary policies should be developed to keep the supply and demand for money at equilibrium (Friedman, 2005) [22]. Put differently, monetary policies should take precedence of taxation and redistribution policies (Steger and Roy, 2005) envisaged by the state.

Base on the works of Friedman neo-liberalism spread to other parts of the world through the so-called "shock therapies" designed by prominent neo-liberal economists. For instance, Chile after the demise of General Augusto Pinochet's 1973 CIA-Supported Coup, the economic transformation of Communist states of Eastern Europe and Post-apartheid regime in South Africa. In some countries domestic elites educated in elite universities abroad became instrumental for the spread of neo-liberal doctrines and its adoption. In addition, some countries willy-nilly had no option but to take the bitter pills of Structural Adjustment Programme (SAP) as conditionalities for incurring external debt from International Monetary Fund (IMF) and the World Bank. Although, Friedman was not in support of the 1940s Keynesian regulatory frameworks under which the IMF and the World Bank were established, his neo-liberal doctrines in the 1990s had direct influence with policies of these international economic institutions (Friedman, 2005) [22]. Therefore, the institutions with the support of other superpowers, succeeded in imposing "Washington Consensus" to many parts of the world (Steger and Roy, 2005).

Neo-liberalism: Conceptual and theoretical Foundation

The "Washington Consensus" is otherwise known as neo-liberalism. It was coined by John William in the 1980s base on free market system. Neo-liberalism was a policy advice given to the Latin American countries by the IMF and the World Bank and other Washington-based international economic institutions and think thank as growth and development strategies. In the 1990s "Washington Consensus" became a global policy framework for growth and development. Consequent to the need for external debt and debt restructuring schemes, countries in the south were required to accept the "Washington Consensus" by implementing its ten-point programmes. These include:

> A guarantee of fiscal discipline and a curb to budget deficit; reduction of public expenditure particularly in the military and public administration; tax reform aimed at creating a system with a broad base and effective enforcement; financial liberalization with interest rates determined by the market; competitive exchange rates to assist export led growth; and trade liberalization coupled with the abolition of import license and a reduction of tariffs; promotion of foreign direct investment; privatization of state enterprises leading to efficient management and improved performance; deregulation of the economy and protection of property rights (Steger and Roy, 2005).

Neo-liberalism could be conceptualized in three dimensions. These are: an ideology, a mode of governance and policy package. Ideology is a system of shared ideas and pattern of beliefs that are accepted as truth by significant groups in society. Ideology organizes it core ideas into a fairly simple truth-claims that motivate people to behave in certain ways and manners. The claims are presented by codifiers of ideology to legitimize their political interests and defend or challenge the dominant power structures. The codifiers of neo-liberalism are global power elites that comprise of managers and executive of transnational corporations, corporate lobbyists, journalists, public relations specialists, intellectual writings for a large public audience, celebrities and top entertainers, state bureaucrats and politicians (Steger and Roy, 2010). The codifiers patronize public discourse with consumerism and free market mechanisms through interaction with media to generate more profit and ensure capital accumulation and concentration. These ideas permeate many parts of the world. Indeed, neoliberal decision-makers impose their political agenda through global economic interdependence among nations, global trade and financial markets, flows of goods and services and labour and transnational corporations, and offshore financial centers (Steger and Roy, 2010). As an ideology neo-liberalism criticizes state intervention model and provides explanations for its failure.

The second dimension of neo-liberalism is the mode of governance which Michel Foucault, a French social thinker called "governmentalities". It is a mode of governance based on entrepreneurial values such as competitiveness, self-interest and decentralization. It advocates individual empowerment and devolution of central state power to smaller localized units. As governmentalities, neo-liberalism calls for the employment of governmental technologies that are derived from business and commerce. These consist of:

> Mandatory development strategies and risk management geared towards the creation of surpluses; cost-benefit analyses and other efficiency calculations; shrinking of political governance; setting of quantitative targets; close monitoring of outcomes; creation of highly individualized and performance-based work plans; and the introduction of rational choice models that internalize and normalize market oriented behaviour (Steger and Roy, 2010).

Furthermore, neo-liberal mode of governance encourages the transformation of bureaucratic mentalities into entrepreneurial identities. Enterpreneurial identities connotes a situation where government working class no longer considered themselves as civil servants but entrepreneurs who are ready to contribute to the growth and development of state enterprises (Steger and Roy, 2010).

For instance, in the early 1980s the "New Public Management" emerged as the world's state bureaucracies. It has ten government objectives. These include:

> catalytic government: steering rather than rowing; community-owned government: empowering rather than serving; competitive government: injecting competition into service; mission-driven government: transforming rule-driven organizations; results-oriented-government: funding outcome not inputs; and customer-driven government: meeting the needs of the customer, not the bureaucracy; enterprising government: earning rather than spending; anticipating government: prevention rather than cure; decentralized government: from hierarchy to participation and team work; and market-oriented government: leveraging change through the market (Wadsworth, 2007).

Base on neoliberal mode of governmentality the US Vice President Al Gore adopted public management principles in the 1990s aimed at subjecting government agencies and department to "National Performance Review". The "National Performance Review" ensures a cut in government waste and increases governance efficiency, effectiveness and accountability (Steger and Roy, 2005).

Neo-liberalism could also be seen as a dimension of public policy. It is expressed in a formula "D-L-P": deregulation (of the economy); liberalization (of trade and industry); and privatization (of state-owned enterprises). Other measures that are related to neoliberal mode of public policy include massive tax cuts (for businesses and high income earners); reduction of social services and welfare programmes; replacement of welfare services with workforce; adoption of interest rates by Central Bank to control inflation; downsizing of government; tax havens for domestic and foreign corporations willing to invest in the designated economic zones; commercialization of urban spaces based on market principles; and anti-unionization of labour to promote productivity and labour flexibility. Other include removal of controls on global financial and trade flows; regional and global integration of national economies; and establishment of new political institutions, think thank and practices designed to propagate neoliberal ideas (Steger and Roy, 2005).

Principles of Neo-liberalism

The wide spread acceptance of the doctrine of neo-liberalism by many scholars and politicians was guided by the epistemological approach that prevents it from historical and empirical criticisms (Somers and Block, 2005) [51]. Precisely, neo-liberalism centers it arguments on "social naturalism" that claims nature as "a self-regulating system that when untouched by political intervention will turn towards equilibrium and order" (Somers and Block, 2005:271) [51]. In essence, a social formation that is characterized by natural order moves towards equilibrium because market forces delegitimize public policies that interfere with natural laws. The phenomenon became prominence during the manifestation of economic crisis in the 1970s and early 1980s. Social naturalism was based on theoretical realism. Theoretical realism refers to a situation where the true causal mechanisms of nature's self-regulating order are revealed, even though they could not be observed (Somers and Block, 2005: 272) [51]. In effect, theoretical realism believes that unobservable causalities are more real than misleading illusions of empirical observation. The fundamental argument of natural order is competition between and among organisms and creates losers. Therefore, it becomes necessary for the state to establish political institutions that regulate competition to help the losers. But neo-liberalism suggests that the establishment of political institutions that interfere with natural order creates disorder in the society. Precisely, neo-liberalism argues that state interference in market mechanisms is the cause of poor economic performance and reversing to market fundamentalism would bring prosperity to the state. To achieve this, neo-liberalism advocates several changes in the relationship between societies and states. These include expansion of markets by eliminating government policies interference; cut taxes to reduce the resources of inefficient government and channel them to private investors for capital formation; privatization of public enterprises; commodification of things that were not originally produced to be exchanged in the market (eg health, education pollution); and elimination of social programmes to establish personal responsibility.

Specifically, neo-liberalism as a concept was developed in the 1970s by the United States to address the crisis of accumulation and profitability. For instance:

> In 1965, overall corporate profitability, as measured by the net after-tax rate of return on assets, was a healthy 10 percent. By 1970, it had fallen to 6 percent and by 1974, to about 4.5 percent, less than half of its postwar peak (Bluestone and Bluestone, 1992:65) [11].

The crisis of accumulation and profitability was caused by increasing oil costs, foreign competition, tax bracket creep, rising unemployment, inflation and the demise of Bretton Woods. Confronted with these economic problems the capitalist class advocated a movement for the overthrow of Keynesian economic doctrine and replaced it with neo-liberalism. Thus:

> From World War II to the late 1970s, the decades of the Keynesian compromise, full employment, social welfare protection, and universal access to education and health care had come to be accepted as important features of developed societies. The desire to tackle the challenges of the capitalist order and the fight against communism made development policies urgent necessities. These policies had led to institutional frameworks that were on the margin of the fundamental rules of straight-lace capitalism- more advantages of financing conditions for the nonfinancial economic sector, a high degree of state intervention in industrial policy, and an international monetary framework favorable to development, which placed certain limits on the freedom of decision for owners of capital (Dumenil and Levy, 2004:1) [17].

The overthrow of Keynesian economic doctrine and it subsequent replacement by neo-liberalism requires what Becker (1963:120-163) [8] coined "moral entrepreneurs". Moral entrepreneurs involve the ability of the capitalist class or business community to construct the crisis of accumulation and profitability to become a social problem that could be addressed by adopting neoliberal policies to

generate economic prosperity. In addition, Berker's analysis of moral entrepreneurs gives emphasis on factor of interest, enterprise and publicity for the establishment of neo-liberalism. The factor of interest represents the interest of the capitalist class to restore profits of the goods produced. On the concept of "enterprise", it involves the mobilization of corporate resources to employ the services of think thanks such as the Heritage Foundation, the Cato Institute and American Enterprise Institute to promote liberal ideas and placement of those corporate leaders into the leadership of the Treasury Department, the Federal Reserve, the President's Council of Economic Advisers and the Business Roundtable. The "enterprise" also involves the mobilization of National Bureau of Economic Research and creating a linkage with economic departments in universities like University of Chicago to legitimize neoliberal ideas. Publicity here connotes the increasing wide spread of neoliberal ideas through publications in journals, books and newspapers (Hodgson, 1996; Yergin and Stanislaw, 2002; Harvey, 2005) [26, 59, 24]. The moral entrepreneurship of the capitalist class had succeeded and the policies and precepts of neo-liberalism permeated many nations across the globe. Neo-liberalism seems to be a natural way to order society (Harvey, 2005: 41) [24].

Neoliberalism embraces market fundamentalism. Market fundamentalism is a "belief that the process of the market mechanism is the best way to order the economy" (Treanor, 2005:3; and Somers and Block, 2005:260-261 [51]). Neoliberals are deeply suspicious of government planning and intervention that are viewed as threats to individual freedom and "the road to serfdom" (Hayek, 1944) [25]. Positively, neo-liberalism gives emphasis on the important of individual freedom and free markets. Negatively, it criticizes government and state intervention in the management of the economy. For instance, Reagan (1981:18) stated that "the most important cause of our economic problems has been the government itself". The phenomenon made the government to make significant modifications of liberal policies and it replacement with neo-liberalism. It is an attempt that had transformed state intervention to a new regime of capitalist epoch. Neoliberals embrace liberal individualism and are against institutions or programmes that interfere with market mechanisms and sovereignty of individuals. For instance, Margaret Thatcher stated that:

> I think we're been through a period where too many people have been given to understand that if they have a problem, it's the government's job to cope with it. I have a problem, I'll get a grant. I'm homeless, the government must house me'. They're casting their problem on society. And, you know, there is no such thing as society. There are individual men and women, and there are families. And no government can do anything except through people, and people must look to themselves first. It's our duty to look after ourselves and they also look after our neighbor. People have got the entitlements too much in mind, without obligations. There's no such thing as entitlements, unless someone has first met an obligation.

Brenner (2004) [12] argues that neo-liberalism is an attack against Keynesian economic theory and a policy designed to change state's division of labour by making its functions less centralized and more localized. Neo-liberalism encourages market entrepreneurship development, induces sub-national governments to shoulder greater responsibility for economic growth and increases territorial competition between places.

For Peck and Tickell (2002) [38] neo-liberalism is a package of state changes that subordinates the needs of masses to those of business and undermines past Keynesian growth and redistribution strategies. A major gap on how neoliberal roll-out works at sub-national level was identified by Brenner (2004) [12], Lobao and Hooks (2003) and Ruben (2001) [46]. Specifically, Brenner (2004) [12] argued that:

> When localities become engines of market growth and sites of administering services, there is the potential for greater inequality between places, an increasing divergence of social welfare standards and an enhanced differentiation of development pathways among local economies within each national territory (Brenner, 2004) [12].

Neo-liberalism could also be attributed to classical liberals. It was developed by Adam Smith (1776) [50] when he argued that non-intervention in the markets by state would ensure efficient production and distribution of goods and services. Smith believed that at a time when individuals are freed from imposed government restrictions and allowed to carry out their economic interests the wealth of nations would be expanded. Therefore, neo-liberalism adopts free market economy as advocated by classical liberalism and distrust state intervention in the economy. However, neo-liberalism goes beyond the doctrine of classical liberalism by embracing market fundamentalism. Market fundamentalism refers to "the religious-like attitude of those who believe in the moral superiority of organizing all dimensions of social life according to market principles" (Somers and Block, 2005:260-261) [51]. In fact, for classical liberals Smith (1776) [50] in particular, markets were efficient avenues for producing and distributing goods. On the contrary, neoliberals argue that markets are goods in themselves and should be applied to all aspects of life. Thus, the value of markets is not only confined to producing and distributing goods but also extended to cover many benefits for individuals and society (Prechel and Harms, 2007) [43].

Neo-liberalism also shares with classical liberalism on the doctrine of the role of entrepreneurs in the markets. For instance, Smith believed that entrepreneurs were among the economic actors that engaged in many economic activities. Therefore, they responded to market competition through investment and innovation hence increase the rate of productivity and wealth of nations. Though, Smith recognized the role of entrepreneurs in the market, he equally recognized the need for the establishment of other institutions by the state ie government, churches and schools. In contrast, neoliberals maintain that since all society is a market "every human being is an entrepreneur managing his own life, and should act as such" (Treanor, 2005:10). In effect, neoliberals are against the establishment of institutions that could interfere with the market forces.

Although, the doctrine of individualism has been emphasized by both classical liberalism and neo-liberalism, classical liberalism gives prominence to individual freedom in the market and recognizes and allows the existence of social relations and responsibilities. However, neo-

liberalism believes in market mechanisms and free individuals. This suggests that in the market individuals are free to make their choices and be responsible for the consequences of their actions. This neoliberal doctrine was adopted in the United Kingdom during the regime of Magret Thatcher. Specifically, Magret Thatcher in her proclamation argued that "there is no such thing as society…[t]here are individual men and women, and there are families" (Thatcher, 1987) [55]. Similarly, the neoliberal belief that individual ought to be responsible for the consequences of their actions was also adopted in the United States of America in 1996 during the Welfare Reform titled "Personal Responsibility and Work Opportunities Reconciliation Act.

Contrary to postulation of theoretical realism as advocated by neo-liberalism, classical Marxists (Marx, 1867 [33]; Polanyi, 1944) and contemporary sociologists (Poulantzas, 1974 [44]; Mizruchi and Koeng, 1986 [34]; Boies, 1989, 1994 [13, 14]; Block, 1990 [10]; Prechel, 1990 [41], 2000 [41], 2006; Akard, 1992 [2]; Grant, 1995 [23]; Morris, 2005 [35]) maintain that capitalist class organize themselves politically to response positively to the prevailing economic crisis. Indeed, capitalists attempt to redefine political structures that are conducive to capitalist accumulation. They believed that state structures are established so that they could be more beneficial to some segments of society than others. Their arguments were guided by social structure of accumulation theory. The theory states that capitalism goes through a cycle that is repeated overtime and capital accumulation and profitability depends on external institutional structures. These institutional structures could be ideological, political and economic and designed to ensure conditions necessary for capital accumulation and the reproduction of class relations (Gordon, Edwards, and Reich, 1982; Kotz, McDonough, and Reich, 1994). However, it should be suggested that failure to comply with the institutional structures undermines capital accumulation, concentration and reproduction. The process of social structure of accumulation involves three distinct stages. These are exploration, consolidation and decay. The stage of exploration is the period of economic decline and profitability crisis. At this stage, state officials and capitalist class restructure political institutions to facilitate capital accumulation. After the restructuring of political structures consolidation occurs because it constitutes a new social structure of accumulation that provides the foundation for higher profits. The last distinct stage is the decay. The period is characterized by comprtability with political structures. In essence, during the period of economic crisis market structures are weakened. The outcome is decay and prevailing capital accumulation crisis. This situation necessitates the re-emergence of new exploration and the cycle continues to be repeated over the periods.

In analyzing the three distinct stages of capital accumulation transition, it is shown that when capital dependence increases over the period, the capitalist class politically unifies and mobilizes and redefines the political and legal framework to offset the destructive market forces. In addition, public policies and state structures are promulgated with a view to institutionalizing market equilibrium. It was intended to ensure an acceptable means of capital accumulation by the dominant power bloc that resulted from the political alliances among dominant classes and class frictions (Poulantzas, 1974; Prechel, 2000) [44, 42]. Decay-exploration transitions give emphasis on a shift in the dominant economic sector and the internal composition of the dominant power block. For instance, the economic crisis in the 1920s and 1930s that resulted to great depression was caused by stock speculation in the unregulated holding company. The situation motivated the classes and capitalist class to pressure the state to redefine the political structures to limit the destructive effects of individual speculation in the unregulated market. The trend also happened during the 1970s and 1990s decay-exploration transition when the capitalist class frictions pressured state ruling class to create a new political-legal framework to address market instability and declining profits. In this circumstance, the destructive market forces were overcome through increased protection and limited free trade. For example, in the late 1980s and early 1990s, the Steel Company was able to organize itself politically and pressure the Reagan and G H Bush administration to promulgate protectionist laws. In addition, the manufacturing fraction of the capitalist class succeeded in giving pressure to state officials to pass Revenue Tax Act of 1981 that subsidized the capitalist class fraction (Prechel, 1990) [41]. Furthermore, in the 1980s protectionism was expanded to other economic sectors; and government increased its spending in defense, weapon development and energy exploration and development (Boies, 1989, 1994) [13, 14]. Moreover, in the 1990s the government extended subsidies to other economic sectors and its spending increased in pharmaceutical, semi-conductor and software research.

Despite neoliberal claims base on the natural law of competition, it is difficult to have a stable economic society in the United States or elsewhere. Therefore, it is difficult to measure the reliability of the neoliberal paradigm. In the analysis of the data that contradict neoliberal doctrines, neoliberals advocate public policies that deinstitutionalize the existing political-legal framework with a view to regulating order and stability. Thus, neo-liberalism, "constructs markets by means of draconian laws and policies, while simultaneously arguing that the process is natural and apolitical" (Somers and Block, 2005:283) [51]. Put differently, neo-liberalism is a political and economic institutional framework guided by deregulation that facilitates capitalist growth and development intended to be beneficial to certain fractions of the capitalist class. Therefore, neo-liberalism is a total ideology that refers to "the ideology of an age or a concrete historical social group" (Mannheim, 1936:56) [32]. Total ideology means ideas and categories of thought that is bounded up with existential and historical conditions of a class (Mannheim, 1936:57) [32]. Total ideology "calls into question the opponent's conceptual apparatus and attempts to understand these concepts as an outgrowth of collective life of which he partakes" (Mannheim, 1936:57; Zeitlin, 1968:304-305) [32, 60]. Precisely, neo-liberalism emerged in the 1980s and 1990s to dismantle state intervention model based on the Keynesian model that gives prominence to the central role of government in ensuring capitalist growth and development as well as safeguarding the working class. Therefore, neo-liberalism attacks these state structures because they interfere with capital accumulation of the dominant power bloc.

Investigations conducted show that decentralization and institutional changes brought by neo-liberalism seem to be uniform among nations (Linda Lobao, 2007). Despite this, radical political economy approaches are contrasted in

cross-national analyses (Lavalette and Pratt, 1997 [30]; O'Brien and Penna, 1998 [36]; and Tornquist, 1999), but researches emphasize the importance of testing their claims across US localities (Lobao and Hooks, 2003). For instance, neoliberal policies of market oriented mechanisms are likely to benefit American communities and families. In addition, decentralization of state is an outcome of neoliberal policy. However, radical political economists are against it (Lobao and Hooks, 2003). Precisely, the political economy approach argues that localized social services and economic development activities serve as a "race to the bottom" across state localities while neo-liberalism sees it as "race to the top".

Neo-liberalism is a feature of contemporary world economy. However, it gives insufficient concern to the "institutional hybridity, path specificity and uneven development" characteristics of neo-liberalism (Peck, 2004:395; and Larner, 2003 [29]). In addition, there are variations in the specific national origins of neo-liberalism (Fourcado-Gourinchas and Babbs, 2002) [19]. While neo-liberalism in countries that are dependent on the global economy could have external origins (Babb, 2005) [6] this character does not apply in the North (Peck, 2004) because it could be influenced by the legacies of colonial and post-colonial development strategies. A feature of neo-liberalism is a factor of imposition. This characterization underestimates the changes that neo-liberalism could create for agency as social actors (Larner, 2003 [29]; and Peck, 2004) especially as the agency relates to the formation of political party and contention for state power.

Contemporarily, economists, politicians, journalists and business leaders have argued that neo-liberalism is the most viable economic doctrine for achieving economic growth and development. They maintained that government intervention in the management of the economy constraints economic development, corporate flexibility and individual innovation (Yergin and Stanislaw, 1998 [58]; Friedman, 1999, 2005 [21, 22]). Advocates of neo-liberalism maintain that self-regulating markets could effectively provide resources to individuals. In addition, societal problems could be effectively regulated and managed by free markets. Furthermore, the advocates believe that neo-liberalism has the capacity to solve social and economic problems in developing countries and a viable option for the replacement of national capitalism with transnational capitalism.

Like many theories in social sciences that advocate for societal change (Mnnheim, 1936; Zeitlin, 1968; Prechel and Sica, 1987; Ashley and Orrenstein, 2005) [32, 60, 40, 5], neoliberalism contains an ideological orientation (Prechel, and Harms, 2005). A critic to neo-liberalism is the omission of politics from it doctrine since political structures ensure effective redistribution of resources in the social formation. In fact, the separation of markets from politics and political structures affect how markets are created and maintained. Neo-liberalism also fails to acknowledge that policies and state structures could not have the same implications on all the economic sectors in the social formation. Instead the policies could have some advantages for certain classes and disadvantages for others (Prechel, 1990) [41].

Neo-liberalism ignores the political dimension of social change and gives insufficient attention on how globalization is mediated at the societal level by political alliances and the existing state structures and policies. Although, scholars have made significant contributions (Sassen, 1998; Sklair, 2001; Robinson, 2004; Harvey, 2005) [48, 49, 45, 24], the absence of political process that could engineer the enactment of policies, made it possible to argue that multinational corporations, the International Monetary Fund (IMF) and the World Bank are imposing their policies on the societies.

Contrary to neo-liberalism, political sociologists such as Poulantzas (1978) [44], Boies (1989) and (1994) [13, 14], Mizruchi (1989), Block (1990) [10], Prechel (1990) and (2000) [41, 42], Akard (1992) and (2005) [2, 3], Grant (1995) [23] and Morris (2005) [35] and development theorists like Evans (1992) [18] and Babb (2002) [19] focus their attention on the process and argue that the state plays a major role in policy formulation and redistribution of resources in the social formation. They maintain that economic policies and political structures of the state are affected by historical antecedents, class politics and alliances between domestic and transnational capitalists.

Neo-liberalism could not adequately be explained without linking it with theory of political capitalism. Political capitalism refers to the utilization of political process or outlets to achieve stable economic growth and preserve class structure in the social formation (Kolko, 1963:3; and Prechel, 2000:3) [28, 42]. The theory of political capitalism consists of three interrelated dimensions. These are the relationship between economic segments and capitalist-class fractions, class-based political behaviour and historical contingencies. In contrast to neo-liberalism, class theory maintains that not all individuals could be successful in a market-structured economy because there is a structural relationship between classes and branches of capital in the economy (Baran and Sweezy, 1966) [7]. In essence, class fractions that have divergent economic interests tend to conform to the different organic composition of capital in the economy (Poulantzas, 1978) [44]. The existence of class fractions contending for political inclusion was as a result of the rate of capital accumulation within the various economic interests (Offe, 1975; Poulantzas, 1978; Aglietta, 1979) [37, 44, 1]. Due to the role of class fractions in the production process, they have developed specific political and economic interests that could be different to those of other class fractions. These conflicting economic interests could generate opposing political interests and efforts to influence public policy formulation (Zeitlin, Newman, and Ratcliff, 1976; Berg and Zald, 1978; Zeitlin, 1980 [61]; Mizruchi and Koenig, 1986 [34]; Mizruchi, 1989; Domhoff, 1990; and Prechel, 1990 [41]).

In a state, the policy formulation process tends to influence political divisions among classes and class fractions because they do not affect them in an equal manner. Therefore, commercial policy that is formulated to address crisis of accumulation in an economy or in a part of a composition of capital affects accumulation in other economic sectors. Precisely, since economic sector is not dominated by a single class, the political arena is equally not occupied by a single class or class fraction. Instead, there emerge power blocs in the political system that makes coalition between classes and class fractions. Thus, capital accumulation that allows mobility of capital in the economic sector enables the capitalist class fractions to address crisis of profitability by shifting investments to economic sectors with the highest level of capital accumulation.

To understand the nature of political capitalism Weber (1951:249; 1978:164) [56, 57] maintained that it connotes the

accumulation of wealth and profit through political avenues that are organized between capitalist class and political elites. Despite this, Weber argued that in modern capitalist epoch it is characterized by rationality and that antiquity was manifested by political capitalism (Swedberg, 1998) [53]. He admitted that interested political parties exercise their power to promote and protect their economic interests. Globally, political capitalism appears to be a political alliance between multinational corporations or capitalists and internal elites (Frank, 1967; Amin, 1976 [4]; Cardoso and Faletto, 1979 [15]). The internal elites occupy political positions that give them access to obtain information from international capitalist system about economic and political conditions that could influence them to adopt neoliberal economic policies. Subsequently, it gives the multinational capitalists to expand their commercial tentacles into the domestic economies of the state. As reinforcement for the adoption of externally oriented economic policies by the internal elites, they are then rewarded through joint commercial ventures, provision of financial compensation or employment in transnational corporations and financial institutions. Precisely, class alliances give opportunity to the multinational corporations to influence public policies in developing countries (Babb, 2002) [19]. The neoliberal paradigm not only destroys institutional framework and power but also division of labour, social relations, welfare provisions, technological mixes, ways of life and though productive activities and attachments to the land.

Despite the adoption and implementation of neoliberal policies by many countries, there are some that go contrary to the neoliberal policies and have achieved growth and development. A typical example could be seen from China's reform programmes. The integration of China's into the global economy under the implementation of market-oriented economic reforms could be identified as a success to neoliberal doctrine (Beeson, 2007) [9]. This resulted from the attainment of GDP growth rate of 8% for almost three decades. There is no doubt that China's economic reform consists of neoliberal principles of market liberalization and privatization however, the reform was different from the policy prescription by the International Monetary Fund (IMF) and the World Bank. Sachs and Woo (2000) [47] argued that the reform agenda that were implemented by China was as a result of the prevailing conditions that are unique to the country. In fact, Stiglitz (2002) [52] maintained that China's economic reform was a policy challenge to IMF and World Bank. Instead of allowing growth and development to be achieved through market fundamentalism, China developed industrial policies that could build international competition in commercial ventures and market institutions that shape the activities of market oriented policies. For instance, in 2006, the Industrial and Commercial Bank of China (ICBC) provided $19 billion Initial Public Offering (IPO) that was the largest in the world. In addition, China Mobile, a wireless service provider with a market capitalization of $200 billion is one of the largest companies in the world. These provisions by the Chinese state contradict the IMF and the World Bank reform programme because they are state sponsored projects.

China also adopted a gradualist approach in privatization of state enterprises resulting to delay in economic efficiency but has avoided mass privatization that was responsible for the prevalence of vicious cycle of "capital starvation, asset stripping and de-modernization" (King, 2003) [27]. For neoliberals, the failure of economic reform in Russia could be attributed to incomplete implementation of neoliberal policies by local elites but experience from China suggests the role of institutional establishment for a successful transition programme. Polanyi (1957) argued that markets do not create institutions but institutions create markets that ensure effective regulation of business activities. This goes contrary to neoliberal argument that ignores the role of creating institutions that could ensure perfect competition. In fact, in the cause of implementing gradualist approach to neoliberal policies China created social and market institutions that are conducive to improving financial discipline and corporate governance (Lu Zheng and Jean Oi, 2007) [31].

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