The Neo-Liberal Paradigm Is Dead

Here are excerpts from an unpublished 2006 preliminary draft by then-Prime Minister Meles Zenawi, entitled, "African Development: Dead Ends and New Beginnings."

World Economic Forum

Former Ethiopian Prime Minister Meles Zenawi (1996-2012)

From the Introduction: "The political and economic renaissance of Africa is an issue that continues to preoccupy Africans' and non-Africans alike. Various methods of achieving such a renaissance have been proposed. Most of these proposals are variations of the dominant neo-liberal paradigm of development. My argument is that the neo-liberal paradigm is a dead end, is incapable of bringing about the African renaissance, and that a fundamental shift in paradigm is required to bring about the African renaissance.

"...[S]ocial development is essential for economic development and that social development cannot be brought about by market mechanisms alone."

From Chapter 6: "Economic theory has shown that developing countries are riddled with vicious circles and poverty traps that can only be removed by state action. The theory of the developmental state completes the alternative paradigm by showing what type of state can intervene in the economy to accelerate growth while at the same time limiting socially wasteful rent-seeking activities."

From Chapter 7: "The most successful of development experiences have not been brought about by a night watchman state restricted to protecting individual property rights and enforcing the contracts [i.e., the Western free-trade model—ed.]. It has been brought about by some of the most interventionist governments to emerge in the context of market economy." (Although Meles does not mention the U.S., the administrations of President Franklin Roosevelt are an excellent example.)

In Chapter 10, "Overcoming Market Failures," he discusses the role of government in supplying credit and protection in the two countries that he studied.

"The governments of Taiwan and Korea, in effect, largely replaced the financial market and allocated investible resources in accordance with their development plan. Credit allocation by the government was the linchpin in a comprehensive package of support to the private sector. The two governments also provided a minutely differentiated trade support and protection to support infant industries. In other words the governments of the two star performers intervened massively to address all the key market failures. . . ."

In Chapter 17, "Outcome of Economic Reform," he highlights the failure of neo-liberalism to address the infrastructure needed for development especially for the agricultural sector: "Investments in infrastructure and market support institutions that lower the unit costs of distribution are needed to break the dead end. The physical and intuitional infrastructure of technological capability accumulation must be built to bring about continued improvement in productivity and break the dead end. In other words the dead end can be broken only if government invests in rural physical infrastructure, in market support institutions, in institutions for technological accumulation, and if governments intervene to save agriculture from the credit crunch that the informal sector has subjected it to. The neo-liberal dogma is opposed to all the key steps required to break the dead end. The neo-liberal paradigm is thus fundamentally incapable of leading African agriculture out of the dead end it has reached. The fundamentals of the neo-liberal paradigm go against the grain of what is needed to bring about rapid and sustained growth in African agriculture."