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## **NEO–Liberalism Theory in International Relations**

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### **Abstract**

*For more than three centuries, the hallmark of liberalism has been the attempt to promote individual liberty world policy. Liberalism as a political and moral philosophy is centred on two main principles - these are individualism and liberty.*

*The First World War is one of the major turning points of world politics. Therefore, one of the characteristic features of the postwar period is the quest for a new world order.*

*This study, In this mean, traditionally focused on national interests, the functioning of international relations in new international system has changed and what to extend the current situation to find a difference between the desired point to reach.*

*Neo-Liberalism has come up with realistic ideas updating theory. In developing economic relations between states in the world, it is important to create peace world. Also play an active role of international organizations in states with these theories are claimed to be closer to each other.*

**Key Words:** *International Relations, Neo-Liberalism, Economic Interdependence, Internetal System.*

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**1.Introduction:** In recent years, neoliberalism has become an academic catchphrase. The concept of “neoliberalism” has, during the past twenty years or so, become quite widespread in some political and academic debates. Several authors have even suggested that neoliberalism is “the dominant ideology shaping our world today”, and that we live in an “age of neoliberalism”.

Neoliberalism is an updated version of the classical liberal economic thought that was dominant in the US and UK prior to the Great Depression of the 1930s. From roughly the mid 1930s to the mid 1970s a new interventionist approach replaced classical liberalism, and it became the accepted belief that capitalism requires significant state regulation in order to be viable. In the 1970s the Old Religion of classical liberalism made a rapid comeback, first in academic economics and then in the realm of public policy.

State and market are complementary institutions. State and market are complementary institutions. The State is the major institution coordinating modern societies; it is the constitutional

system and the organizations that guarantee it; it is the main instrument through which democratic societies have been changing capitalism to achieve their own political objectives. Markets are competition-based institutions regulated by the State so that they contribute to the coordination of the economy. While Liberalism emerged in the 18th century to fight an autocratic State, Neoliberalism (a major distortion of economic Liberalism) became dominant since the 1980s and mounted a political assault on the State in the name of the market, but eventually also attacked the market. Neoclassical macroeconomics and the theory of public choice were the meta-ideologies that gave a “scientific” and mathematical allure to this assault.

**2. International Relations Theory and Neo-Liberalism:** Neoliberalism was the hegemonic ideology from the early 1980s to the early 2000s. It was the ideology adopted and promoted by American governments since Ronald Reagan. After the turn of the century, however, its intrinsic irrationality, its failure to encourage economic growth in developing countries, its efficacy in concentrating income for the richest 2% of every rich or developing society that adopted its ideas, and the increased macroeconomic instability (as shown by the successive financial crises of the 1990's became clear indications of the exhaustion of Neoliberalism (Pereira, 2009; 9).

Neoliberalism is everywhere, but at the same time, nowhere. It is held to be the dominant and pervasive economic policy agenda of our times, a powerful and expansive political agenda of class domination and exploitation, the manifestation of ‘capital resurgent’, an overarching dystopian zeitgeist of late-capitalist excess. Perry Anderson describes it as ‘the most successful ideology in world history’.

The foundations of modern economics, and of the ideology of neoliberalism, go back to Adam Smith and his great work, *The Wealth of Nations*. Over the past two centuries Smith's arguments have been formalized and developed with greater analytical rigour, but the fundamental assumptions underpinning neoliberalism remain those proposed by Adam Smith. The liberal doctrines propounded by Adam Smith came under attack from two directions. On the one hand, Smith's ideal society was one of isolated individuals, each pursuing his own self-interest.

The subject of this article is the concept of “neoliberalism” and its history. The concept has, during the past twenty years or so, become somewhat of an exhortation in many political and academic debates. Neoliberalism is both a body of economic theory and a policy stance. Neoliberal theory claims that a largely unregulated capitalist system not only embodies the ideal of free individual choice but also achieves optimum economic performance with respect to efficiency, economic growth, technical progress, and distributional justice.

The policy recommendations of neoliberalism are concerned mainly with dismantling what remains of the regulationist welfare state. These recommendations include deregulation of business; privatization of public activities and assets; elimination of, or cutbacks in, social welfare programs; and reduction of taxes on businesses and the investing class.

From only a handful of mentions in the 1980s, use of the term has exploded during the past two decades, appearing in nearly 1,000 academic articles annually between 2002 and 2005 (Boas and Morse, 2009; 2).

Before 1980, neoliberalism was an esoteric term, used scarcely, and then, only by economists. Since then, it has become one of the most widely used terms across many social science disciplines except in economics where it has disappeared. During this period, there has been a steady trend to rediscover neoliberalism as more complex than previously considered, and to re-theories it as a more

subtle, latent, ubiquitous, or expansive phenomenon. As a result, it has been drawn far beyond its conceptual crib in economic policy, political economy, and the states versus markets debate, towards issues of power and ideology, reflecting a shift in theoretical inspiration from Keynes towards Marx, Gramsci, and Foucault (Venugopal, 2015; 4).

Neoliberalism appears to be problematic as a dominant theory for contemporary capitalism. The stability and survival of the capitalist system depends on its ability to bring vigorous capital accumulation, where the latter process is understood to include not just economic expansion but also technological progress. Vigorous capital accumulation permits rising profits to coexist with rising living standards for a substantial part of the population over the long-run. However, it does not appear that neoliberalism promotes vigorous capital accumulation in contemporary capitalism (Kotz; 2000; 3).

Neoliberalism is in the first instance a theory of political economic practices that proposes that human well-being can best be advanced by liberating individual entrepreneurial freedoms and skills within an institutional framework characterized by strong private property rights, free markets, and free trade. The role of the state is to create and preserve an institutional framework appropriate to such practices. The state has to guarantee, for example, the quality and integrity of money. It must also set up those military, defense, police, and legal structures and functions required to secure private property rights and to guarantee, by force if need be, the proper functioning of markets. Furthermore, if markets do not exist (in areas such as land, water, education, health care, social security, or environmental pollution) then they must be created, by state action if necessary. But beyond these tasks the state should not venture. State interventions in markets (once created) must be kept to a bare minimum because, according to the theory, the state cannot possibly possess enough information to second-guess market signals (prices) and because powerful interest groups will inevitably distort and bias state interventions (particularly in democracies) for their own benefit (Harvey, 2005; 2).

The concept suggests its own definition: “Neoliberalism” is a revival of “liberalism”. This definition suggests that liberalism, as a political ideology, has been absent from political discussions and policy-making for a period of time, only to emerge in more recent times in a reincarnated form. It suggests, in other words, that liberalism has undergone a process of initial growth, intermediary decline, and finally a recent rejuvenation. Alternatively, neoliberalism might be perceived of as a distinct ideology, descending from, but not identical to liberalism “proper”. Under this interpretation, neoliberalism would share some historical roots and some of the basic vocabulary with liberalism in general. This interpretation places neoliberalism in the same category as American “neoconservatism”, which is an ideology or “political persuasion” somewhat similar to and yet markedly different from much conventional conservative thought, and often hardly recognisable as a genuinely conservative ideology (Thorsen and Lie, 2006; 2).

The explicit conceptual elaboration of critical theories of neoliberalism and neoliberalization has been pioneered by human geographers and spatially-sensitive sociologists. Neoliberalism is understood as an ideology that is shaped in a few centres, which then diffuses outwards, and a political project that aims to re-order the territorial framing of capital accumulation. The resulting process of neoliberalization is understood to be geographically uneven. The basic outlines of neoliberalism as an object of critical analysis include:

- Neoliberalism is understood as an ideology that encompasses various forms of free-market fundamentalism;

- Neoliberalism is diffused and translated across contexts very quickly.
- Neoliberalism is operative at various spatial scales;
- Neoliberalism displaces established models of welfare provision and state regulation through policies of privatization and de-regulation;
- Neoliberalism brings off various changes in subjectivity by normalizing individualistic self-interest, entrepreneurial values, and consumerism. In the constitution of neoliberalism as an object of critical analysis, the overwhelming emphasis is upon neoliberalism as an “ideational project”. It is from this emphasis that the agenda for geographical research follows:
  - Tracking the diffusion of this ideology through different geographical contexts;
  - Mapping the variable articulation of this ideology with other processes in different places;
  - Examining the normalization of this ideology in spatial practices of subjectformation (Barnett, 2007; 2-3).

Within higher education neoliberalism has introduced a new mode of regulation or form of governmentality. In order to understand this it is necessary to understand that the welfare liberal mode it replaced maintained fundamentally different premises at the level of political and economic theory, as well as at the level of philosophical assumption. The central defining characteristic of this new brand of neoliberalism can be understood at one level as a revival of many of the central tenets of classical liberalism, particularly classical economic liberalism. The central presuppositions shared include:

1. The self-interested individual: a view of individuals as economically self-interested subjects. In this perspective the individual was represented as a rational optimizer and the best judge of his/her own interests and needs.
2. Free market economics: the best way to allocate resources and opportunities is through the market. The market is both a more efficient mechanism and a morally superior mechanism.
3. A commitment to laissez-faire: because the free market is a self-regulating order it regulates itself better than the government or any other outside force. In this, neoliberals show a distinct distrust of governmental power and seek to limit state power within a negative conception, limiting its role to the protection of individual rights.
4. A commitment to free trade: involving the abolition of tariffs or subsidies, or any form of state-imposed protection or support, as well as the maintenance of floating exchange rates and ‘open’ economies (Olssen and Peters, 2010; 314-315).

If critics of neoliberalism downplay the significance of political institutions in their various accounts, those who support greater economic liberalism give them a very significant role. Public choice theorists have long stressed a range of political factors in driving up state expenditures, including: interest group activism; “pork barreling” by vested political interests; the role of political representatives in directing funds to their own constituencies; bureaucratic empire-building; and institutional entropy in large departments, where incremental approaches to budgeting create an innate tendency towards growth rather than cutbacks in the number of activities undertaken. They also draw attention to the extent to which such ideas have gained traction, not simply by being taken up by parties of the political right, but by those of the centre-left (Flew, 2012; 10-11).

**Concluding Comments:** In this article, we analyze contemporary scholars’ unusual use of neoliberalism in the study of political economy and offer an explanation for why this situation has come about. Based on a content analysis of journal articles, the first section of the article documents

three key characteristics of this use. First, neoliberalism is employed asymmetrically across ideological divides: it is used frequently by those who are critical of free markets, but rarely by those who view marketization more positively. In part, proponents avoid the term because neoliberalism has come to signify a radical form of market fundamentalism with which no one wants to be associated. Second, neoliberalism is often left undefined in empirical research, even by those who employ it as a key independent or dependent variable. Third, the term is effectively used in many different ways, such that its appearance in any given article offers little clue as to what it actually means (Taylor and Morse, 2009; 2-3).

The most common conceptualization of neo-liberalism is as a policy framework-marked by a shift from Keynesian welfarism towards a political agenda favouring the relatively unfettered operation of markets. Often this renewed emphasis on markets is understood to be directly associated with the so-called globalization of capital. The argument is a familiar one. New forms of globalized production relations and financial systems are forcing governments to abandon their commitment to the welfare state (Larner, 2000; 6).

Neoliberalism represents a reassertion of the fundamental beliefs of the liberal political economy that was the dominant political ideology of the nineteenth century, above all in Britain and the United States. The arguments of political economy were based on intuition and assertion rather than on rigorous analysis, but their strength rested on their ideological appeal rather than on their analytical rigour.

If neoliberalism continues to reign as the dominant ideology and policy stance, it can be argued that world capitalism faces a future of stagnation, instability, and even eventual social breakdown. However, from the factors that have promoted neoliberalism one can see possible sources of a move back toward state-regulated capitalism at some point. One possibility would be the development of tight oligopoly and regulated competition on a world scale. Perhaps the current merger wave might continue until, as happened at the beginning of the 20th century within the US and in other industrialized capitalist economies, oligopoly replaced cutthroat competition, but this time on a world scale. Such a development might revive big business support for an interventionist state. However, this does not seem to be likely in the foreseeable future. The world is a big place, with differing cultures, laws, and business practices in different countries, which serve as obstacles to overcoming the competitive tendency in market relations. Transforming an industry's structure so that two to four companies produce the bulk of the output is not sufficient in itself to achieve stable monopoly power, if the rivals are unable to communicate effectively with one another and find common ground for cooperation. Also, it would be difficult for international monopolies to exercise effective regulation via national governments, and a genuine world capitalist state is not a possibility for the foreseeable future. If state socialism re-emerged in one or more major countries, perhaps this might push the capitalist world back toward the regulationist state. However, such a development does not seem likely. Even if Russia or Ukraine at some point does head in that direction, it would be unlikely to produce a serious rival socioeconomic system to that of world capitalism.

Finally, the increasing exploitation and other social problems generated by neoliberal global capitalism might prod the socialist movement back to life at some point. Should socialist movements revive and begin to seriously challenge capitalism in one or more major capitalist countries, state regulationism might return in response to it. Such a development would also revive the possibility of finally superseding capitalism and replacing it with a system based on human need rather than private profit (Kotz; 2000; 16-17).

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