

**Capitalist Hegemony and the 'New' World Order:
A Gramscian Analysis of Global Restructuring**

© by David Hooey

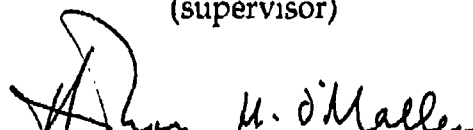
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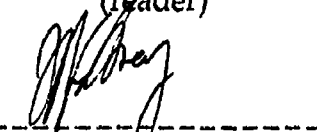
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Acknowledgements and Dedication

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This thesis is dedicated to Barb and the little one in her womb

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Abstract: Transformation in the global political economy in recent years has been both rapid and profound. This thesis applies concepts developed by Antonio Gramsci, leader of the Italian Communist Party in the early 1920s, in seeking to identify and understand the dynamic material and ideational forces driving contemporary global restructuring. Gramsci's interpretation of hegemony as 'intellectual and moral reform' is used to explain the rise to dominance of the new intellectual and political right in the early 1980s. Mobilized by an ideology which shuns any state interference in the economy, the thesis stresses that the new right political economy perspective has been instrumental in transforming capitalist hegemony at the world level along pro-market, anti-statist lines. The argument hinges on the assertion that the new right's resurrection of *laissez-faire* capitalism has triumphed over Keynesianism on the ethical, moral and intellectual terrains of Marxist class struggle. It is demonstrated that the ideological hegemony of market capitalism is directly attributable to the consummate development of monetarist theory, and the subsequent spread of related neo-liberal principles to other disciplines, including, most prominently, development economics. The thesis concludes by asserting that a Gramscian analysis of the production, dissemination, and consumption of market ideology in both the North and the South is of paramount importance in advancing our understanding of present and future possibilities of international capitalist order.

Chapter One.

Crisis and Change in the Global Political Economy: Disintegration of America's Historic Bloc

Crisis does not mean the end. On the contrary, 'crisis' refers to the critical time during which the end will be avoided through new adaptations if possible; only failing these, the end becomes unavoidable. [...] The crisis is a period in which a diseased social, economic, and political body or system cannot live on as before and is obliged, on pain of death, to undergo transformations that will give a new lease on life. This period of crisis is a historical moment of danger and suspense during which the crucial decisions and transformations are made, which will determine the future development of the system if any and its new social, economic, and political basis. [Andre Gunder Frank] ¹

The structure of the American Empire ... is dissolving and a Hobbesian-like struggle of all against all seems to be emerging. [Stephen Hymer] ²

Everything is political, even philosophy ... and the only 'philosophy' is history in action, that is, life itself. [Antonio Gramsci] ³

Introduction

Providentially spared the indecencies of waging a major war on its own continent, the United States emerged from the systemic chaos of World War II as the uncontested leader of the non-Communist world. As the moral guardian of the new world order, the United States sought to consolidate a distinctly Americanized regime of capitalist world hegemony in the post-war era through a complex network of geo-strategic, politico-military, economic, socio-cultural and ideological alliances. Mobilized by a doctrine of global Manifest Destiny, successive US administrations from Truman onward zealously pursued the establishment of an American imperium, which would largely transform much of the capitalist world in its own image.

¹ Andre Gunder Frank, "Crisis of Ideology and Ideology of Crisis," Dynamics of Global Crisis, New York: Monthly Review Press, 1982, pp. 109.

² Stephen Hymer, The Multinational Corporation: A Radical Approach -- Papers by Stephen Hymer, Robert Cohen et. al. (eds.), New York: Cambridge University Press, 1979, pp. 270.

³ Antonio Gramsci, "The Study of Philosophy," pp. 357.

At the core of the global spread of "Americanism" -- understood in terms of a systematically embedded and organizing ideology of and for American supremacy -- was a mythic belief in US exceptionalism. As the second millennia dawns, however, it is becoming more and more evident to students of global political economy that America is no longer so exceptional. Indeed, a key argument in this thesis is that **the classical "Pax" limits of the post-1945 "Americanist" regime of capitalist accumulation had been reached by the early 1970s, culminating in an "organic" crisis of capitalist hegemony at the world level.** This continuing crisis of hegemony is an organic, or long-term crisis, since its roots go sufficiently deep enough to provoke a fundamental qualitative and quantitative restructuring of the world capitalist order.

Although the crisis is calling into question a certain historical form of capitalism, it is not challenging the capitalist system itself. However, the crisis does include lasting structural distortions whose resolution requires a fundamental change in the operation of the system. Seen in this light, it is clear that the continuation of "formal" American hegemony is no longer a viable historical option since it is now dysfunctional to the new needs of capitalist accumulation on a world scale.

While the crisis of capitalism is ineluctably related to the relative decline of American supremacy *vis-a-vis* Japan and a uniting Europe, the crisis cannot and should not be seen merely as a crisis of US power *per se*. Rather, the crisis must be understood in terms of the realignment of, and transformation in, basic social forces at the global level. Thus, the structures and institutions which once collectively served as the formal integrative instruments of the previous American-dominated regime of world capitalist

accumulation and regulation -- i.e., the welfare state, Bretton Woods, Fordism, Cold War, Keynesianism, NATO, patriarchal household, etc. -- are being radically "restructured," transformed and/or superseded by emergent forms of socio-political organization, reflecting the requisite new needs of international capitalist accumulation.

The underlying dynamics of crisis have an ideological dimension as well. As the thesis will argue, **the crisis of hegemony is reaching its maturest expression on the ideological, political and intellectual terrains of Marxist class struggle.** Thus, as the dominant post-war Keynesian mode of ideological consensus began to break down in the early 1970s, the disintegrating tendencies of the system have become more pronounced, conflicts of interest more visible, and underlying power relations more transparent. Hence, the crisis -- as reflected in declining rates of productivity, rising rates of unemployment, persistent inflation, chronic financial instability and the widening social rift between North and South -- has made it virtually impossible for political elites to sustain the post-World War II Keynesian compromise -- i.e., higher wages for higher rates of productivity.

Responding to the system-wide demand for order, the "new right" ascended to political power in the early 1980s. Involving a synthesis of reactionary conservative politics and *laissez-faire* economics, the new right political economy has sought to refocus attention on the profitability of business in economic crisis. As a consequence, elites in the Western and non-Western worlds (in the case of the latter via the World Bank/International Monetary Fund's Structural Adjustment Programmes) have turned en masse to the prevailing orthodoxy of neo-conservatist-type solutions -- i.e., privatization, deregulation, monetarism, contraction of the welfare state, etc. -

- in a desperate, though still largely unsuccessful, attempt to resolve the crisis in the world economy. As will be shown in this thesis, **the new right's ideology has been instrumental in transforming capitalist hegemony at the world level in a more market-oriented and less state-dominated direction.**

The contemporary dominance of market ideology both in the developed and developing worlds and related dislocation in leftist political culture, as well as the disintegration of state socialism in Eurasia, raise several crucial questions concerning our understanding of transformation in the global political economy. Some of these questions might include: How do free market ideas become translated into material forces capable of restructuring the world economy? As political economists, how do we understand the contemporary dominance of neo-liberal ideas over Keynesian ideas? Why have monetarist "supply-side" concepts and political practices replaced the traditional "demand-side" orientation of Keynesian-influenced intellectuals and politicians? Who produces and disseminates neo-liberal ideas and why? Can neo-liberalism, like Keynesianism before it, save capitalism? What will the eventual outcome of this phase of global restructuring be? These questions are the focal points of concern in this thesis.

Approach, Purpose and Outline of Study

In confronting and analyzing the question of global restructuring of capitalist hegemony, this thesis adopts a **Gramscian political economy approach**. For anyone unfamiliar with Antonio Gramsci, he was one of the founding members of the Italian Communist Party in 1921. Gramsci led the party through the turbulent and uncertain early years of the rise of Italian

Fascism in the early 1920s. An outspoken opponent and vehement resistor of Fascist rule, Gramsci was arrested in November 1926. Speaking for Mussolini, Gramsci's Fascist prosecutors proclaimed: "We must prevent this brain from functioning for twenty years!" In prison, suffering from an acute degenerative spinal malformation, insomnia, tuberculosis and a series of other mental and physical ailments Gramsci literally rotted away. He died in a prison hospice in April 1937, at the age of 46.

Despite untold personal hardship and pain, Gramsci was not silenced. He produced a series of highly disjointed and fragmented notes (subject to the censorship of Italian officials) which were posthumously published, for the first time in English, in a collection entitled, Selections From the Prison Notebooks of Antonio Gramsci in 1971.⁴ It is from a contemporary derivation of Gramsci's ideas as set down in the Prison Notebooks that political economists identify their approach as "Gramscian."

Set against the dramatic backdrop of the inter-war period, Gramsci's Prison Notebooks represent a major, though sadly neglected, contribution to Western Marxist thought. Based on an integrated merging of historical materialism with politics, philosophy and ethics, Gramsci's notes constitute a creative, non-reductionist challenge to economic interpretations of Marxism. Unlike his contemporaries, and particularly relevant to this thesis, Gramsci understood that intellectuals are powerful and influential catalysts of social change, and that ideas play an active and crucial role in determining the outcome of Marxist class struggle. The central thrust of this thesis is precisely that a **Gramscian understanding of the production, elaboration and**

⁴ Antonio Gramsci, Selections From the Prison Notebooks of Antonio Gramsci, Quintin Hoare and Geoffrey Smith (editors and translators), London: Lawrence and Wishart, 1971.

dissemination of neo-liberal ideology throughout the world is of paramount importance in explaining present and future possibilities of world capitalist order.

Given Gramsci's two over-riding concerns in the Prison Notebooks -- namely, explaining the rise to dominance of Italian Fascism, and, identifying what the proper strategy of the working class should be in building an alternative form of socialist state and society -- it is not surprising that he had very little to say directly about global political economy. However, as this thesis attempts to demonstrate, Gramsci's body of writings, particularly his superior elaboration of the concept of hegemony, has a universal setting and relevance which extends far beyond the desperate milieu of Fascist Italy.

The **purpose** of this thesis, then, is to further develop and extend a global interpretation of Gramsci's conception of hegemony as "intellectual and moral reform." Set in a Gramscian tradition, **the concept of hegemony adopted here dialectically links material interests and institutional capabilities with moral and intellectual leadership purposes.** In stressing the "ideational" or consensual aspects of hegemonic leadership, the thesis rejects the state-centric preponderance of power approach to hegemony typical in most orthodox Marxist and non-Marxist (especially realist) schools alike. Generally speaking, Marxist materialist "power-over" interpretations and applications of hegemony to international relations tend to denigrate the whole realm of culture, political motivation and ideology brilliantly identified by Gramsci, while over-determining the economic in explaining global restructuring. Thus, many Marxists see the current period of international restructuring as merely the product of intensified, or so-called "super" imperialist rivalry, in which the three dominant powers -- the United States, Germany and Japan --

are supposedly jockeying for economic, technological, and ultimately (so one would presume) military domination. This preponderance of power approach to global restructuring specifically, but capitalist hegemony more generally, tends to lead most Marxist analyses toward state-centrism and economism, respectively. Invariably, by equating hegemony with dominance, Marxists, intentionally or not, reify the international state system and reinforce the "iron" laws of economism.

In contrast to most Marxist interpretations of social change, a Gramscian political economy approach asserts that ideas, and the dissemination of those ideas by influential intellectuals, plays an active and crucial role in Marxist class struggle. Gramscian-influenced scholars believe that the concept of hegemony cannot and should not be reduced to a situation describing the "power-over" dominance of one state or one class over another. Though his work was left unfinished and unpolished, Gramsci showed that hegemony is much more than dominance. Thus, for Gramscian scholars, recent transformations in the global political economy are thought to defy, indeed supersede, the simplistic Marxian schema of "super" imperialist rivalry. As a young Gramsci wrote in March 1918: "... mechanical forces never prevail in history: it is men, it is their consciousness, it is the spirit which moulds external appearances and always triumphs."⁵ **With dramatic shifts now occurring in the global distribution of military and economic power in a post-Cold War complex, it is absolutely crucial to understand the contribution ideological forces are making in the reconstitution of capitalist hegemony and international order.**

⁵ Antonio Gramsci, "A Year of History," originally published in *Il Grido del Popolo*, March 16, 1918.

This thesis builds upon an emerging Gramscian "school" of international political economy thought, which was first introduced in the literature by Robert Cox in a 1981 article entitled, "Social Forces, States and World Orders: Beyond International Relations Theory." From that article and one other published in 1983 -- "Gramsci, Hegemony and International Relations: An Essay in Method" -- Cox's path-breaking work on applying Gramscian concepts to world order culminated in the 1987 publication of Power, Production and World Order: Social Forces in the Making of History. Directly and indirectly inspired by Cox, several scholars have recently taken up the challenge of broadening the theoretical parameters of Gramscian global political economy. Among many others, some of the more extensive uses of Gramscian concepts in theorizing global relations include: America's Quest for Supremacy and the Third World: A Gramscian Analysis by Craig Murphy and Enrico Augelli (1988); The Global Political Economy: Perspectives, Problems and Policies by Stephen Gill and David Law (1988); and American Hegemony and the Trilateral Commission by Stephen Gill (1990).⁶

Although the Gramscian school of global political economy has gained a respectable and growing following, it is clear that much work needs to be done. Stephen Gill explains:

The movement toward the extension of Gramscian ideas to the study of international relations [IR] has been slow and relatively recent, and has involved relatively few ambitious studies concerned with defining the origins, development, and dynamics of the emerging global political economy. [A]lthough many social scientists are aware of the application of Gramscian ideas to analyze the role of politics, popular culture, and ideological and cultural hegemony at the national level, this is much less the case for IR and IPE [International Political Economy]. [...] In this light, it is clear that much

⁶ For a more complete bibliographical citation of Gramscian concepts adapted to the study of global political economy, please consult the bibliography section entitled, **Applications of Gramscian Theory to International Political Economy**, beginning on page 212.

needs to be done to develop Gramscian perspectives in ways which can have appeal to students of IPE and thus make a more general contribution to the field.⁷ [emphasis added]

In particular, if a Gramscian political economy perspective is to become a more reputable, holistic school of thought, then much more work will have to be done on conceptualizing the North-South dimensions of global order. To date, most Gramscian approaches to global political economy continue in the traditional Northern, mainly Ameri-centric, mode of analysis. Generally speaking, the South, when or if it is theorized, is stuck on more as an after-thought than a vital constituent part of the **global** complex. The marginalization of the South is tragically unfortunate, especially considering the fact that three-quarters of humanity live in the Southern hemisphere. A global political economy which selectively ignores or superficially treats the South is still not yet a "dialectic totality." In this thesis, I hope to address this oversight in Gramscian political economy, however imperfectly, by incorporating the South in my analysis of global restructuring.

The contributions this thesis proposes in advancing Gramscian concepts to the emerging global political economic order are fourfold. In the chapter immediately following, I lay out the conceptual framework for the thesis by providing a brief critical exposition of the problematic of hegemony in Gramscian theory, specifically focusing on how a "bloc" of social forces first attains, then exercises consensual hegemonic relations in society. In Chapter Three of the thesis, I attempt to account for the contemporary rise to Gramscian dominance in the 1980s of market capitalism and spread of related neo-liberal views throughout the developed and developing world via the

⁷ Stephen Gill, "Historical Materialism, Gramsci, and International Political Economy," The New International Political Economy (IPE Yearbook Volume 6), Craig Murphy and Roger Tooze (eds.), Boulder: Lynne Rienner Publishers, Inc., 1991, pp. 54.

political economy modicums of the new right. Chapter Four provides an analysis of the emerging contours and dynamics of the so-called "new world order," an international capitalist order I believe is being shaped and determined by the three dominant regional powers at the centre of the world system: the United States, a uniting Europe and Japan. In the concluding chapter of the thesis, I outline some innovative Gramscian ideas for revitalizing Marxist thought and praxis in wake of the dissolution and collapse of the Stalinist model in Eurasia.

I leave this chapter with a final provocative thought from one of Gramsci's letters from prison: "[I]s the war really over? ... Certainly not. **Therefore, the moral and intellectual battle must go on; the issue is just alive now as it was then, we should not give up the struggle.**"⁸ [emphasis added]

⁸ Antonio Gramsci, Letters From Prison, Lynne Lawner (translator), New York: Harper and Row Publishers, 1973, pp. 230.

Chapter Two. The Gramscian Problematic of Hegemony

It is [...] necessary to combat economism not only in the theory of historiography, but also and especially in the theory and practice of politics. In this field, the struggle can and must be carried on by developing the concept of hegemony. [Antonio Gramsci] ¹

[I]t must be stressed that the political development of the concept of hegemony represents a great philosophical advance as well as a politico-practical one. [Antonio Gramsci] ²

The problematic which has the concept of hegemony at its centre remains of vital importance not only for the empirical analysis of modern societies, but also for the renewal of a coherent, and relevant, political and social theory, based upon a rational, radical moral and political philosophy. Moral and political philosophy cannot be made to disappear from the disciplines of politics, sociology, economics or history in the way positivists and relativists in various guises have attempted to do. The Gramscian concept of hegemony reminds us that this is so, and provides a foundation for renewing social theory. [Ernesto Laclau and Chantal Mouffe] ³

Introduction

The series of disjointed, uneven and fragmentary notes which constitute Gramsci's Prison Notebooks is the culmination of a highly innovative, critical and equally compelling and elusive Marxism.⁴ Despite the sketchy style of the "unfinished and unpolished" system of the Prison Notebooks, the problematic of hegemony is ultimately the dominant

¹ Antonio Gramsci, "The Modern Prince," pp. 165. *Note: All primary citations from Gramsci's prison writings are taken from Selections from the Prison Notebooks of Antonio Gramsci, Quintin Hoare and Geoffrey Smith (eds. and translators), London: Lawrence and Wishart, 1971.

² Gramsci, "The Study of Philosophy," pp. 333.

³ Ernesto Laclau and Chantal Mouffe, Hegemony and Socialist Strategy: Towards a Radical Democratic Politics, New York: Verso, 1985, pp. 128.

⁴ Beyond problems that inevitably arise in translation, the abstruseness of Gramsci's prison writings is attributable to at least four other factors: i) intense intellectual, physical and emotional detachment from his subject; ii) deteriorating emotional and physical health; iii) Gramsci's deliberate ambiguous writing style (to evade prison censors); and, perhaps most conclusively, iv) the profound sense of dialectic to be found in Gramsci's writings.

unifying theme in all of Gramsci's work.⁵ Arguably, there are two aspects to the problematic of hegemony working in Gramscian theory. The first concerns identifying the most appropriate strategy an alliance of Leftist anti-capitalist forces should take in countering bourgeois hegemony and actualizing a socialist hegemony. The second aspect of the wider theoretical and practical framework Gramsci intended to situate his Prison Notebooks involves understanding the reason behind subordinate groups consensually submitting themselves to bourgeois exploitation.

There is little doubt that Gramsci's novel development of the concept of hegemony as "intellectual and moral reform" represents his most important and enduring contribution to the canons of twentieth century Western Marxism.⁶ Gramsci's body of writings, as I will demonstrate in this thesis, has a universal setting and relevance which extends far beyond his own immediate and desperate historical setting of Fascist Italy. In particular, this thesis aims to show that a Gramscian-informed analysis of the rise of the new intellectual and political right in the 1980s is absolutely crucial to understanding the current domination of market capitalism and spread of related neo-liberal views throughout the world.

In this theoretical chapter, my intention is to set the conceptual framework for the thesis by providing a critical exposition of the problematic of hegemony in Gramscian theory, specifically focussing on how a social

⁵ While "unfinished and unpolished," Gramsci was still able to produce, from February 1929 intermittently until 1935, when deteriorating health made sustained concentration impossible, 32 notebooks consisting of 2848 pages (about 4000 when typewritten).

⁶ Strictly speaking, Lenin was the first Marxist theoretician to incorporate the concept of hegemony into a revolutionary strategy for the proletariat. However, in Lenin's rather restricted use of the term, hegemony is analogous to his "dictatorship of the proletariat" over the peasantry. In Gramsci, hegemony becomes a more nuanced, less deterministic concept, which can refer to the practice of a bourgeois or revolutionary proletariat hegemon.

group first achieves then exercises consensual hegemonic relations. This chapter, therefore, lays out the conceptual framework and theoretical tools of Gramscian Marxism which will be subsequently applied in later chapters to analyses of global restructuring and the changing nature of capitalist hegemony.

Because interpretations and appropriations of Gramsci's Prison Notebooks vary widely, I have chosen to stress three aspects of Gramsci's general theory which has helped guide me through an otherwise elusive, and, at times, personally frustrating text. In so doing, I hope to avoid some of the more blatant misinterpretations and misapplications of Gramsci's thought.

First and foremost, it must be understood that Gramsci's concept of hegemony is dialectical. As much as Gramsci was inspired to develop his concept of hegemony to guide revolutionary socialist practice in a strategy which would effectively "counter" bourgeois [Fascist] hegemony (hence the term "counter-hegemony")⁷, Gramsci would be equally displaced to employ the term in historical reference to the strategy of the bourgeoisie in soliciting the exploitation of subordinate classes. Depending upon the context, then, at any one time Gramsci's interpretation of hegemony can refer to the political strategy of either one of Marxism's "fundamental,"⁸ or antagonistic social classes.

⁷ Gramsci never explicitly adopts the term "counter-hegemony" in his prison writings. However, the strong sense of dialectic in Gramsci suggests that counter-hegemony is implicit in his development of the concept of hegemony. Following Gramsci, I have taken the liberty of using the term in reference to a gradual "molecular" revolutionary process, involving a profound cultural and ideological transformation of bourgeois hegemony by an anti-capitalist alliance of social forces.

⁸ To avoid prison censorship and Marxist overtones, Gramsci inserted the more politically neutral terminology "fundamental" when referring to either one of Marxism's major social

Secondly, I have found it extremely helpful to situate Gramscian Marxism in its own peculiar historical context and development, emphasizing the relation between Gramsci's commitment as a Communist leader on the one hand, and his intellectual rejection of economistic interpretations of Marxism on the other. As Chantal Mouffe correctly observes: "... it is impossible to understand the very problems posed by Gramsci and his importance for marxist theory if his writings are not related to ... the theoretical and political context of the struggles of the working-class movement at the beginning of the century."⁹ Since Gramsci's understanding of hegemony developed from his own deep distrust and disillusionment with orthodox or mechanistic Marxism of the Second and Third Internationals, I have stressed the importance of Gramsci's rejection of economism. As I will argue, Gramsci's ideological disdain for economism allows him to restore the consensual non-dependent side of politics, and ultimately contributes to his formulation of a non-deterministic theory of social change.

Thirdly, and lastly, it bears emphasizing that only through the complimentary development and refinement of other unique and integral Gramscian concepts (i.e., civil and political society; war of movement versus war of position; integral and ethical state; regulated society; historic bloc, etc.) was Gramsci able to arrive at a quintessential understanding of hegemony as **the ability of a fundamental social group to exercise consensual intellectual, political and moral leadership.**

classes (i.e., bourgeoisie or proletariat) defined in strict Marxist terms by the "fundamental" role it plays in the relations of production. I have chosen to continue using Gramsci's terminology.

⁹ Chantal Mouffe, Gramsci and Marxist Theory, Chantal Mouffe (ed.), Boston: Routledge and Kegan Paul, 1979, pp. 3.

In what follows, then, I will stress that understanding hegemony in Gramsci requires: i) sensitivity to the dialectical quality in his writing; ii) consideration of his political convictions and iii) recognition of the complimentary relation that exists between all his major theoretical constructs. Hopefully, by keeping these three attributes closely in mind, the reader who is unfamiliar with Gramsci will gain an appreciation of one of the greatest, yet still largely unknown, Marxist scholars of the twentieth century.

The chapter itself has been organized into three main sections. Section one discusses the details of Gramsci's critique and rejection of economism, as well as the profound influence the Russian Revolution had on Gramsci. Section two, which forms the bulk of the chapter, discusses the conditions deemed necessary by Gramsci for actualizing hegemonic relations in society. It argues that Gramscian-type hegemony is not just simple doctrinal domination of one class over another (or one country over another). Rather hegemony, as Gramsci perceived it, requires a fundamental social group leading ethically, morally and consensually in the ideological, cultural, intellectual and economic realms. Section III discusses the failure of an aspiring hegemon to secure any one of these conditions, resulting in a crisis of bourgeois hegemony. A brief concluding section is also included to prepare readers for the subsequent chapters.

I. Diverging Intellectual and Political Traditions in Gramsci

Marx did not write a nice little doctrine, he is not a messiah who left a file of parables pregnant with categorical imperatives, of absolute indisputable norms independent of time and space. [Antonio Gramsci] ¹⁰

¹⁰ Antonio Gramsci, "Our Marx," originally published in *Il Grido del Popolo*, May 4, 1918.

Gramsci's Marxism (what he called the "philosophy of praxis") developed from a profound sense of disillusionment with orthodox Marxism. Although Gramsci led the Italian Communist Party during the mid-1920s up to his arrest in November 1926, he nonetheless remained skeptical of the "actually existing socialist" doctrines of the second and third Internationals which, as he argued throughout the Prison Notebooks, were marred by "crude scientism" and equally "primitive economism," respectively.¹¹ Gramsci emphatically held to the philosophical view that because purposeful human action involves motives, acts of will, thoughts, hopes, fears, desires, and so forth, historical movement and social change could not be fully understood within purely mechanistic, "objective" or scientific parameters of economistic analysis:

[I]t is absurd to think of a purely 'objective' prediction ... [because] ... i.) strong passions are necessary to sharpen the intellect and help make intuition more penetrating; ii.) because reality is a product of the application of human will to the society of things.¹²

Unlike economism, then, which tends to demean individual will in the process of social transformation, Gramscian Marxism sees active, willful and conscious people making creative history. As Gramsci would

¹¹ Scientific Marxism emerged from the second International's belief that economic contradictions inherent in the development of the capitalist mode of production could be objectively analyzed, scientifically predicted and empirically quantified according to Marx's three iron "laws of capital": overproduction, increasing concentration of capital and progressive proletarianization. The Second International's fetishism with science is in part attributable to the rising influence of Darwin's ideas concerning evolution and natural history, which set off a number of important nineteenth century thinkers (including Marx) on a quest for seeking general scientific principles underlying human historical and social change. Economism, on the other hand, is that doctrine of Marxist belief which gives undue primacy to economic and technological forces over political ones in the explanation of historical change. In its most "pure" form, economism holds that all superstructural elements (ie. ideology, politics, culture, class consciousness, subjectivity, etc.) are reducible to, are epiphenomena of, or "conditioned" by, the economic base.

¹² Gramsci, "The Modern Prince," pp. 171.

consistently argue throughout the Prison Notebooks, mechanistic interpretations of Marx, premised on apocalyptic capitalist breakdown and the historical inevitability of proletarian revolutions, were leading Marxism down a defeatist path of political irrelevancy, fatalism, and even worse still, utopianism. In fact, Gramsci attributed the cause of defeat of the working-class movements in Eurasia and America during this century -- i.e., the triumph of Fascism in Italy under Mussolini, "New Deal" Fordist corporatism in America, and the rise of Stalinism in Russia, respectively -- to the extreme sense of determinacy and reductionism prevalent in the Marxian theoretical and political praxes of the day.

In order to restore Marxism's political validity for a revolutionary strategy, Gramsci contended that it must be purged of every residue of primitive economism. Consequently, the desire to escape the infectious and fatalistic trappings of "vulgar" and "infantile" Marxism in the Prison Notebooks, led Gramsci to rebel against the typical economic suggestion that, in the last instance, politics is "conditioned" by the economic base.¹³

¹³ The famous passage from Marx to which I am of course invoking here is from the Preface to the Critique of Political Economy which runs thus: "the mode of production of material life **conditions** the social, political and intellectual life process in general." To be fair, Marx's writing did stress the non-deterministic reciprocity between economics and politics. In Marx's defense, Engels wrote: "[I]f somebody twists this into saying that the economic element is the only determining one, he transforms that proposition into a meaningless, abstract, senseless phrase. The economic situation is the basis, but the various elements of the superstructure ... also exercise their influence upon the course of the historical struggle and in many cases preponderate in determining their form ... and we had not always the time, the place or the opportunity to allow the other elements involved in the interaction to come into their rights." The critical point to be made here, of course, is in the matter and degree of emphasis: Marx emphasized economics, whilst Gramsci tended to reflect more on politics. For a more lucid discussion of this point, see Leonardo Salamini, The Sociology of Political Praxis: An Introduction to Gramsci's Theory, Boston: Routledge and Kegan Paul, 1981.

Hence,

The claim, presented as an essential postulate of historical materialism that every fluctuation of politics and ideology can be presented and expounded as an immediate expression of the structure, must be contested in theory as primitive infantilism, and combated in practice.¹⁴ [emphasis added]

A passage such as this (and others like it) lead some scholars to read into Gramscian theory an inversion of classical Marxism. They contend that for the Italian Communist leader, the Marxian categories of human will, consciousness, politics, culture and ideology are primary, and in the last instance, determinant.¹⁵ For these Gramscian scholars, the most immediate and pervasive theme to be extricated from the Prison Notebooks is that class struggle matures on a "higher plane than the immediate world of the economy."¹⁶ However, such readings of Gramsci appear to be more than just a little forced. Contrary to the facetious suggestion of some, Gramscian Marxism, in the finest tradition of Marx, emphasized the "necessary reciprocity" which exists between economics and politics. Hence, for Gramsci,

the complex, contradictory and discordant *ensemble* of the superstructures is the reflection of the *ensemble* of the social relations of production. [...] **This reasoning is based on the necessary reciprocity between structure and superstructure, a reciprocity which is nothing other than the real dialectical process.**¹⁷ [emphasis added]

Thus, politics is not a dependent sphere in Gramscian theory, and any attempt to make it so is not in keeping with the dialectic of Karl Marx's

¹⁴ Gramsci, "Problems of Marxism," pp. 407.

¹⁵ See professor Norberto Bobbio's influential account of the supposed two "inversions" of Marx in Gramscian theory -- eg., i) the prevalence of the superstructure over the structure and ii) the prevalence of the ideological over the institutional moment in, "Gramsci and the Conception of Civil Society," Gramsci and Marxist Theory, Chantal Mouffe, (ed.). For a critique of Bobbio's position, see Jacques Texier, "Gramsci, Theoretician of the Superstructures: On the Concept of Civil Society," Gramsci and Marxist Theory, pp. 48-79.

¹⁶ Gramsci, "The Modern Prince," pp. 184.

¹⁷ Gramsci, "The Study of Philosophy," pp. 366.

Marxism. Recognizing the indeterminacy in Gramscian theory, Stuart Hall correctly points out that Gramsci,

... does not think that politics is an arena which simply reflects already unified collective political identities, already constituted forms of struggle. [...] It is where forces and relations in the economy, in society, in culture, have to be actively worked on to produce particular forms of power, forms of domination. [...] This conception of politics is fundamentally contingent, fundamentally open-ended. **There is no law of history which can predict what must inevitably be the outcome of a political struggle.** Politics depends on the relations of forces at any particular moment.¹⁸ [emphasis added]

The Russian Revolution and Gramsci

Clearly and irrevocably it was the extraordinary events of the 1917 October Russian Revolution which brought Gramsci face to face with his personal skepticism over theoretical orthodoxy. Undoubtedly a little too caught up in the euphoria which surrounded the immediate "successes" of the October moment, a young spirited Gramsci proclaimed, even heralded, the Bolshevik Revolution as the revolution against Marx's Capital:

In Russia Marx's *Capital* was the book of the bourgeoisie more than of the proletariat. It [the revolution] was the critical demonstration of the fatal necessity that in Russia a bourgeoisie had to be formed, that an era of capitalism had to begin, and that a western-type civilization had to be installed before the proletariat might even be able to think about insurrection, class vindications, and revolution. **Events have overcome ideologies.** Events have exploded the critical schemes within which the history of Russia would have had to develop according to the canons of historical materialism. The Bolsheviks repudiate Karl Marx, they affirm with the testimony of explicit action, with achieved conquests, that **the canons of historical materialism are not so unyielding as one would think or as one has thought.**¹⁹ [emphasis added]

¹⁸ Stuart Hall, "Gramsci and Us," *Marxism Today*, (June 1987), pp. 20

¹⁹ Gramsci, "The Revolution Against Capital," originally published in *Avanti!* November 24, 1917. One can detect in the young Gramsci a degree of innocence and naivety about the Russian Revolution, for even when it went obviously sour, deteriorating into what Rosa Luxemburg correctly referred to as domineering "bureaucratic-centralism" under Stalin, Gramsci appeared oblivious. He continued to extoll upon the virtues of the soviet factory systems, which he wrongly held to be a source of popular democratic initiatives at the point of production.

Despite later betrayal of the revolution by Stalinism (some Stalinists' apologists would say in defence, a "rationalization" of the revolution), for a young Gramsci the events of October 1917 were emblematic of Marxism's fatal deficiencies. The failure to understand, much less predict, the conditions which make socialist revolutions possible had for all intents and purposes relegated traditional Marxism redundant for Gramsci, both as an analytical category, and even more importantly, as political strategy. Not only had the revolution in the most "advanced" capitalist societies in the West proven elusive, despite the "fact" that objective conditions there had been ripe for several decades, but also as if to add insult to injury, when a socialist revolution actually did occur it was realized in the context of a political economy Marx himself had written off as distastefully "backward." Even conceding Russia's "exceptionalism" -- i.e., that the Russian proletariat was "underdeveloped" relative to that of the West and hence not as likely or capable of undertaking a project of revolutionary socialism -- Gramsci, like Lenin, looked for answers to Russia's apparent historical "aberration" beyond mere "objective" criteria. Indeed, in the Prison Notebooks' mature vision, the lessons of "Leninism," including the primacy and capacity of politics to "spontaneously" mobilize revolutionary consciousness in the proletariat, and the fact that "socialism can be realized at any one moment," became increasingly central to Gramsci's deliberations upon the problem of realizing revolutionary change in the West. It is hardly surprising, therefore, given both the extraordinary set of events which unfolded in revolutionary Russia, and the resilience capitalism showed in the West even in the midst of the deep economic crisis of the 1930s, that Gramsci would turn his critical faculties in the Prison Notebooks to the hitherto denigrated Marxian category

of the superstructure (i.e., ideology, consciousness, politics, culture, etc.) in search for an explanation as to why socialist revolutions did or did not take place. Ultimately, the articulation of a non-reductionist theory of social change would lead Gramsci in the direction of speculating that answers to Marxism's most perplexing mysteries could be found in the superior elaboration of the concept of hegemony.

II. Consent and Force in Gramscian Theory

This research will ... concern the concept of the State, which is usually thought of as political society -- i.e., a dictatorship or some other coercive apparatus used to control the masses in conformity with a given type of production and economy -- and not as a balance between political and civil society, by which I mean the hegemony of one social group over the entire nation, exercised through ... private organizations like the Church, trade unions, or schools. [Antonio Gramsci] ²⁰

For Gramsci, there are two aspects of social and political control: the first involves "domination," or rule by direct physical coercion; the second involves "hegemony," or rule by consensual "intellectual and moral leadership." In Gramsci's words, **"the supremacy of a social group manifests itself in two ways, as 'domination' and 'intellectual and moral leadership'"**²¹ [emphasis added].

In clarifying his theoretical position, Gramsci further distinguished between political society -- which is the organizer of domination -- and civil society -- which is the organizer of consensus or hegemony. Gramsci explains the contrasting roles civil and political society perform in maintaining bourgeois control in these terms:

²⁰ This passage is taken from one of Gramsci's letters to a friend written in prison in September 1931. In the letter, Gramsci briefly sketches out the "plan," such as it was, of the Prison Notebooks. It is reproduced in Letters from Prison, selected and translated by Lynne Lawner, New York: Harper and Row, 1973, pp. 203-207.

²¹ Gramsci, "Notes on Italian History," pp. 57.

[W]e can ... fix two major superstructural 'levels:' the one that can be called 'civil society,' that is the ensemble of organisms commonly called 'private,' and that of 'political society' or 'the State.' These two levels correspond on the one hand to the function of 'hegemony' which the dominant group exercises throughout society and on the other hand to that of 'direct domination,' or command exercised throughout the State and 'juridical' government.²²

While preferring (for analytical purposes only) to draw a distinction between the sphere of consent [i.e. civil society] and force [i.e. political society], Gramsci clearly perceived that in the real world of modern class-divided societies civil society cannot be meaningfully divorced from political society. Thus, Gramsci's conception of the modern integral state was given by the equation: "**state = political society + civil society**, in other words, hegemony protected by the armour of coercion"²³ [emphasis added]. Similarly, "by 'State' should be understood not only the apparatus of government but also the 'private' apparatus of 'hegemony' or civil society."²⁴ Gramsci, therefore, can be seen to abandon an instrumentalist conception of the state, which in liberal political theory is identified primarily with the political systems of governance. Instead of separating political and civil society, Gramsci's concept of the integral state allows for a far more historicized and expanded notion of hegemony, consisting of a **dialectical unity of civil and political society**. For Gramsci, the degree to which the apparatus of "dictatorship" remain latent and the "private" apparatus of civil society prevail at any one moment determines the degree and relative strength of hegemony in society.

Gramsci perceived the use of the coercive apparatus of the state as typically reserved for "moments of crises of command and direction when spontaneous consent has failed."²⁵ Thus, in Gramscian theory, the

²² Gramsci, "The Intellectuals," pp. 12.

²³ Gramsci, "State and Civil Society," pp. 263.

²⁴ Ibid., pp. 261.

²⁵ Gramsci, "The Intellectuals," pp. 12.

inclination of a dominant fundamental group to rely upon institutionalized forms of repression and violence to sustain its class rule is a reflection of that group's ideological weakness and historical immaturity, not strength; a social group is driven to use force only when legitimate consensus arrangements have broken down. Contrary to the opinion that "might makes right" in the exercise of hegemony, then, Gramsci shows that successful (or "expansive") **hegemony involves the creation of an active and direct consensus resulting from the genuine acceptance of the political and class interests of the dominant group in society by subordinate groups.** Gramscian-type hegemony occurs when subordinate groups in society actively consent to their own exploitation. The dominant group's authority to lead is not challenged by lesser social groups. In fact, the dominant group's values and ways of perceiving the social world are passively and uncritically internalized by subordinates. In the Gramscian sense, hegemony is ultimately a psychological state of being. Once the prevailing mode of consensus is internalized in a population, through institutional and ideological structures, the use of state coercion becomes less and less necessary. As Stephen Gill and David Law note:

With time, the coercive use of power may become less necessary and also less obvious as consensus builds up on the basis of shared values, ideas and material interests on the part of both the ruling and subordinate classes. What is important in this process is that such ideas and institutions come to be seen as **natural and legitimate**, and that they become embedded in the frameworks of thought of the politically and economically significant parts of the population. In this way, a **hegemonic structure of thought and action emerges, one which militates against the raising, or even conception of alternative types of political, economic and social arrangement.**²⁶ [emphasis added]

²⁶ Stephen Gill and David Law, "Global Hegemony and the Structural Power of Capital," *International Studies Quarterly*, 33:4, (December 1989), pp. 480.

Gramsci theorized that the "repressive character of state coercive power diminishes in importance as its 'ethico-political' character, that is, as its hegemonic function increases and grows in importance."²⁷ For Gramsci, the attainment of a "regulated society" (which is roughly equivalent to Marxism's "withering state," marking the beginning of the eventual passage to a classless society) materializes at the point in which force in political society becomes redundant -- i.e., is completely reabsorbed by the consensual apparatus of civil hegemony:

It is possible to imagine the coercive elements of the State withering away by degrees, as ever-more conspicuous elements of regulated society (or ethical State or civil society) make their appearance. [...] In the doctrine of the State as regulated society, one will have to pass from a phase in which 'State' will be equal to 'government,' and 'State' will be identified with 'civil society.'²⁸

It would seem, then, that Gramsci would perceive the unprecedented expansion of civil society in the modern industrial democracies as a "good" thing, since it tends to replace force in political society with the consensual rule of civil society. However, as Esteve Morera asserts, the crucial question focuses on whose hegemony?

Because we all belong to some private organization of civil society -- a club, or the readership of a newspaper, a school, religious association or a family -- we are all engaged, passively or actively, in the organization of hegemony in our society. We all belong in this way to a party. Hence, in the same way that we are philosophers, that we are all intellectuals, we are also engaged in political activity. The issue, then, is clearly the same as in the case of developing a coherent world-view; we are all faced with the task of transforming the inherent political significance of the organizations of civil society into well-organized, coherent and progressive activity. Political participation, then, must begin with the task of transforming an already existing activity, of rendering critical and active the passive consensus imposed by the environment.²⁹

²⁷ Esteve Morera, "Gramsci and Democracy," Canadian Journal of Political Science, 23:1, (March 1990), pp. 28.

²⁸ Gramsci, "State and Civil Society," pp. 263.

²⁹ Esteve Morera, "Gramsci and Democracy," pp. 29.

The Revolutionary War of "Manoeuvre" versus "Position"

Gramsci's concepts of civil and political society have important political and theoretical implications for revolutionary praxis. Gramsci argued that civil society in the West has become a massively complex, ever-expanding and politicized realm of social conflict. Since civil society is the place where the different "private" instruments of bourgeois rule -- i.e., the schools, churches, military complexes, media and cultural industries, factories, etc. -- organize, elaborate and disseminate cultural, ideological and social hegemony throughout the rest of society, Gramsci suggested that a successful transition to socialism in such societies could only come about through a long-term "organic," or "molecular" struggle for hegemony in civil society. Accordingly, the struggle for socialist hegemony in the West (what Gramsci referred to as a revolutionary "war of position") must occur both within and against bourgeois civil society. In order to realize socialism, oppressed classes must reconquer civil society, transforming it from the insidious control of the bourgeoisie.

In the hope of more fully clarifying his theoretical position on the "proper" forms of revolutionary struggle for Western and Eastern Marxists alike, Gramsci draws upon the experience of Leninism in Russia to determine what, if any, of the "successful"³⁰ lessons employed by the Bolsheviks in and through the October Revolution were directly transferrable to the immediate experience of the West. Gramsci ultimately conceded that the range of economic, cultural, political, national and historical factors which went into

³⁰ "Successful" in quotations because though managing to capture the realm of the Russian state (i.e. political society) capturing, reconstructing and restoring Gramsci's all-important "politico-ethico" realm (i.e. civil society) have arguably proven far more frustrating and elusive tasks for all temporary post-revolutionary leaders from Lenin on down to Gorbachev, now Yeltsin.

producing a socialist revolution in Russia were so overwhelmingly distinct from anything in the Western experience that a new revolutionary strategy would have to be developed for the West where the bourgeoisie had managed to firmly entrench its intellectual and ideological hegemony within civil society.

In explaining the crucial differences between Eastern and Western revolutionary struggle, Gramsci draws heavily upon the use of military metaphor:

In Russia the State was everything, civil society was primordial and gelatinous; in the West, there was a proper relation between State and civil society, and when the State trembled a sturdy structure of civil society was at once revealed. The State was only an outer ditch, behind which there stood a powerful system of fortresses and earthworks.³¹

Thus, while Lenin was able to successfully instigate a frontal, or "Jacobist," attack on the Russian state itself (i.e., a minority conquest of state power from above), in the West such a strategy would be hopelessly naive, given the "proper" balance between force and consensus which binds together the modern industrial democracies. For Gramsci, then, the crucial difference between Western and Eastern political economies (and ultimately revolutionary strategy) laid in the relative degree of complexity and refinement of vastly contrasting civil and political societies.

In the concepts of "war of manoeuvre" and "war of position," the theoretical and political implications for Western and Eastern revolutionary struggle were further elaborated upon by Gramsci. For Gramsci, the war of manoeuvre denotes a Jacobist revolutionary strategy, involving the conquest of power through direct confrontation and acquisition of the state proper.

³¹ Gramsci, "State and Civil Society," pp. 238.

Gramsci believed that the war of manoeuvre would be the appropriate mode of revolutionary struggle where political society is overly developed and civil society weak (i.e., Russia in the early 20th century, and by extension, much of the Third World today). The Gramscian "war of position," on the other hand, refers to a long-term "molecular" struggle for hegemony in civil society. It was thought to be the favoured mode of revolutionary strategy for political economies where consensual hegemony prevails. While not completely rejecting the state as an arena for socialist struggle per se, Gramsci was of the opinion that seizure of state power in the West should be considered a tactical, rather than a strategic option -- i.e., a secondary, rather than primary object of revolutionary political activity. Invariably, Gramsci contended (and history does appear to affirm) that the acquisition of state power without prior transformation of civil society would be what the acquisition of state power has been since the inception of the capitalist state system in 1648 -- a means of suppressing popular democratic initiatives:

Socialist transformation [in the West] would have to be an organic process evolving beneath the facade of liberal democratic institutions, rooted in the relations of production and in the dialectic of everyday life. One of the fallacies of social democracy ... was its preoccupation with the existing state apparatus as a set of structures to be taken over, administered, and transformed from above, thus undercutting any genuine thrust toward democratization of civil society. [...] **Movements which set out to 'conquer' the old state institutions can only wind up hopelessly ensnared in the logic of capitalist development -- a logic that works against autonomous mass power in hundreds of ways. Instead of constructing new political forms, they reproduced the old ones which remain embedded in the bourgeois social division of labour.**³² [emphasis added]

It would perhaps bode well in the present context of profound dislocation and disorientation in radical scholarship to heed Gramsci's "warning" that the state is often not the most correct, ultimate, nor for that

³² Carl Boggs, The Two Revolutions: Gramsci and the Dilemmas of Western Marxism, Boston: South End Press, 1984, pp. 84-85.

matter, desirable means to achieve socialist ends. As the recent "people's" revolutions in Eurasia demonstrate, hegemony cannot be imposed upon civil society; hegemony must grow organically from the "masses." From this point of view, the state, even in its modern social-democratic welfare variants, might be considered more **disabling** than **enabling** for realizing participatory radical democratic politics.

The Contestation of Hegemony

Despite "colonization of civil society " by the bourgeoisie, Gramsci considered the actual exercise of instilling relations of consensual hegemony in society as problematic. According to Gramsci, the degree to which a fundamental social group is successful in "expanding" its hegemony over wider elements in society is determined by a range of national, cultural, economic and historical factors. In this historical materialist conceptualization of hegemony, the development of the forces and relations of production at the particular moment in which hegemony is being sought, and the degree of equilibrium which exists between political and civil society, are thought to define the strength of consensus in society. Gramsci argued that disequilibrium rather than broad ideological consensus was the general rule in European history, not the exception. Far from implying that modern capitalist societies are homogeneous monolithic wholes cemented by ideological consensus, then, Gramsci showed that societies are always divided and that hegemony is, and will always be, contested. Stuart Hall elaborates:

Gramsci is one of the first modern Marxists to recognize that interests are not given but have to be politically and ideologically constructed. [...] In modern societies, hegemony must be constructed, contested and won on many different sites, as the structures of the modern state and social complexify and the points

of antagonism proliferate. [...] Hegemony is not a state of grace which is installed forever. It's not a formation that incorporates everyone.³³

As Hall relates, since politics is a non-dependent sphere in Gramscian theory, his concept of hegemony is fundamentally contingent upon ideological and political struggles waged amongst contending hegemonic principles (or "world-views") in civil society. Hegemony, therefore, is a dynamic, always on-going historically, socially and politically constructed process. If there is a "law" to be extrapolated from Gramsci's general theory of hegemony, then it would simply be that the attempt to construct a hegemonic system of rule will always, dialectically, generate a set of counter-hegemonic tendencies. As will be argued later on in Chapter Three of this thesis, present-day attempts by certain internationalist-oriented fractions of the bourgeoisie to create a more *laissez-faire* "open" type of capitalism via international free trade is being vehemently resisted by counter-hegemonic tendencies and social forces situated within the nation-state itself whose material and political interests are better served by state protectionism, and thus, a "closed" global economy. This dialectical struggle between global free-traders and state mercantilists is argued to be the driving logic behind global restructuring.

Ideology and Hegemony

In contrast to his Marxist contemporaries who consistently slighted the concept of ideology with such negative value judgements as "illusory," "distorting," and in Engels's famous expression, with "false consciousness,"³⁴

³³ Stuart Hall, "Gramsci and Us," pp. 17.

³⁴ Ideology as "false consciousness" is associated with this famous passage from Engels' The German Ideology: "Ideology is a process accomplished by the so-called thinker consciously, it is true, but with a false consciousness. The real motive forces impelling him remain unknown to him; otherwise it simply would not be an ideological process. Hence he imagines false or seeming motive forces."

Gramsci argued that the organization, elaboration and dissemination of ideas and ideological structures, especially those of the ruling classes, do in fact play an active and crucial role in determining the outcome of hegemonic struggles. In his notes entitled "The Modern Prince," Gramsci argued succinctly and persuasively against the "error" of reducing ideology to a meaningless abstraction of reality:

Ideas and opinions are not simultaneously 'born' in each individual brain: they have had a centre of formation, of irradiation, of dissemination, of persuasion - a group of men, or a single individual even, which has developed them and presented them in the political form of current reality.³⁵ [emphasis added]

In deliberating on the establishment of past and present hegemonies in Europe, Gramsci observed that every potential hegemon would attempt to legitimize its social power, wealth and prestige to the masses it sought to dominate ideologically. Gramsci argued that a fundamental social group in the course of seeking hegemony would "present -- and cause ... to be accepted - the conditions of its existence and its class development as a universal principle, as a world-view as religion."³⁶ Thus, the "moment" of hegemony in Gramsci occurs

if and when there is a widespread acceptance of the key principles and political ideas of a leading class fraction. [To] ... become hegemonic ... means that the policies which embody them will appear more natural and legitimate to broad elements within the society.³⁷

Insofar and inasmuch as subordinate groups uncritically and passively internalize the dominant group's values, beliefs and ideas -- i.e., accepts the ruling classes' "Weltanschauung," or world-view -- then is the consensual

³⁵ Gramsci, "The Modern Prince," pp. 192.

³⁶ Antonio Gramsci, cited in Enrico Augelli and Craig Murphy, America's Quest for Supremacy and the Third World: A Gramscian Analysis, London: Pinter Publishers, 1988, pp. 120.

³⁷ Stephen Gill, American Hegemony and the Trilateral Commission, New York: Cambridge University Press, 1990, pp. 118.

basis of ideological hegemony ensured. At this, ultimately psychological level,

... hegemony performs functions that the military and police machinery could never carry out: it mystifies power relations, public issues, and historical events; it encourages fatalism and passivity toward political action; it justifies various types of system-serving deprivation and sacrifice. Hence **the structure of ideological domination works in many ways to induce the oppressed strata to accept or 'consent to' their own daily exploitation and misery.**³⁸ [emphasis added]

Thus, in Gramscian theory, "hegemony is a relation, not of domination by means of force, but of consent by means of political and ideological leadership. **It is the organization of consent**"³⁹ [emphasis added]. Any credible analysis of hegemony, then, must take into account the consensus problematic addressed by Gramsci -- why and how do subordinate groups submit themselves to the exploitation of the bourgeoisie?

Ideology, as Gramsci demonstrates, is an instrument and force of class transformation; it is not a mere abstraction of reality which the bourgeoisie uses in order to dupe inferior and stupid masses. In order to play a politically relevant role, however, Gramsci believed that an ideology must first be functionally, or "concretely," related to the economic structure of society. Thus, while ideology is for Gramsci, "the terrain on which men move, acquire consciousness of their position, struggle,"⁴⁰ or, "in its highest sense ... a conception of the world that is implicitly manifest in art, in law, in economic activity and in all manifestations of individual and collective life,"⁴¹ it is simultaneously, "the level ... that men become conscious of

³⁸ Carl Boggs, The Two Revolutions, pp. 161.

³⁹ Roger Simon, Gramsci's Political Thought: An Introduction, London: Lawrence and Wishart, 1982, pp. 21.

⁴⁰ Gramsci, "The Study of Philosophy," pp. 377.

⁴¹ *Ibid.*, pp. 328.

conflicts in the world of the economy" ⁴² and would be "individual fanc[y] without ... material forces." ⁴³ Thus, in Gramscian theory, as will be concretely demonstrated in Chapter Three where I analyze the rise to dominance of the new intellectual and political right in the early 1980s, **ideas and ideological structures of thought are capable of becoming material forces**. In the presence of, and manipulation by, a hegemon's caste of "organic intellectuals," the power of abstract ideas can be translated into concretized relations of class exploitation.

Hegemony and "Organic Intellectuals"

To the arduous, yet vastly crucial tasks of lending ideological legitimacy to and soliciting the "spontaneous" consensual participation of subordinate groups in an aspiring hegemon's programme of "intellectual and moral reform," Gramsci assigned to "organic intellectuals." For Gramsci, an organic intellectual is defined as one "who [comes] into existence on the same ... terrain as the economic group." ⁴⁴ Gramsci demonstrated that each mode of production and all bourgeois revolutions produce their own distinct stratum of intellectuals. These intellectuals are thought to provide the articulating link between economics and politics in the construction of a hegemonic social group. Hence,

Every social group, coming into existence on the original terrain of an essential function in the world of economic production, creates together with itself, organically, one or more strata of intellectuals which give it homogeneity and an awareness of its own function not only in the economic but also in the social and political fields. ⁴⁵

⁴² Gramsci, "The Modern Prince," pp. 162.

⁴³ Gramsci, "The Study of Philosophy," pp. 377.

⁴⁴ Gramsci, "The Intellectuals," pp. 18.

⁴⁵ Ibid., pp. 5.

Since these organic intellectuals also share the same "prestigious" class background as their "fundamental" counterparts enjoy in the world of the economy, the tasks of building consensus and legitimating relations of class exploitation become that much less complicated as subaltern classes are encouraged to place their trust and confidence in the ideas of "men of destiny."

Because in Gramscian theory hegemony is organized and exercised along consensual not dictatorial lines, the importance of his category of organic intellectuals in securing, exercising and protecting hegemony can hardly be emphasized enough; it is, after all, at the very essence of Gramsci's invocation of hegemony as "intellectual and moral reform." Gramsci understood better than any other Marxist scholar the sociological importance of intellectuals:

My study on intellectuals is a vast project. [...] I extend the notion of intellectual considerably, and do not limit myself to the habitual meaning, which refers only to great intellectuals. This study also leads to certain determinations of the concept of the State [for] ... it is precisely in civil society that intellectuals operate especially. [...] This conception of the function of intellectuals, I believe, throws light on the reason, or one of the reasons, for the fall ... of the rule of an economic class ... not able to create its own category of intellectuals and thus exercise a hegemony as well as a dictatorship.⁴⁶

Gramsci argued that organic intellectuals have become an indispensable and proliferating "necessary evil" in the industrial democracies, as they alone serve to defend the status quo relations of class exploitation:

The function of organizing social hegemony and state domination certainly gives rise to a particular division of labour and therefore to a whole hierarchy of qualifications. [...] In the modern world the category of intellectuals ... has undergone an unprecedented expansion. The democratic-bureaucratic system has given rise to a great mass of functions which are not at all justified by the social

⁴⁶ Gramsci, "Notes on Italian History," pp. 56.

necessities of production, though they are justified by the political necessities of the dominant fundamental group.⁴⁷

While, for Gramsci, "each man ... outside his professional activity carries on some form of intellectual activity, that is everyone is a 'philosopher,'"⁴⁸ not all persons have the "function" of the organic intellectual in society. Acting as the dominant group's "functionaries" and "deputies," organic intellectuals are charged with the responsibility of producing, organizing and disseminating to the rest of society the dual duties of "social hegemony and political government."⁴⁹ Moreover, in continuing Gramsci's argument, Enrico Augelli and Craig Murphy claim that contemporary organic intellectuals must also produce

a philosophy, political theory and economics which together constitute a coherent world-view, the principles of which can be translated from one discipline to another. As actors in the ideological struggle, the intellectuals of the dominant class must prevail over the intellectuals of other classes by developing more convincing and sophisticated theories, inculcating other intellectuals with the dominant world-view, and assimilating them to the hegemon's cause. Potential hegemons fail when they fail to consolidate the support of intellectuals.⁵⁰ [emphasis added]

Following Gramsci's interpretation of the role of intellectuals play in constructing hegemony, in Chapter Three of this thesis I present the argument that "neo-classical" *laissez-faire* influenced economists and politicians have triumphed over Keynesian intellectuals on the moral, ethical, and ideological terrains of class struggle. To a large degree this ideological triumph of market capitalism has been secured by the intellectual development of monetarist or "supply-side" economic theory and the spread

⁴⁷ Gramsci, "The Intellectuals," pp. 13.

⁴⁸ Ibid., pp. 9.

⁴⁹ Ibid., pp. 12.

⁵⁰ Enrico Augelli and Craig Murphy, America's Quest for Supremacy and the Third World, pp. 123.

of related neo-classical economic principles to other disciplines, including, most prominently, development economics.

Organic intellectuals, then, are seen to provide an aspiring hegemonic class with key unifying and concrete hegemonic principles which, when translated into economic motion, move the "historic bloc" of social forces progressively forward. Without intellectuals providing the functioning link between economics and politics, between theory and practice, the ideological bloc of social forces is destined to crumble away, leaving what Gramsci disparagingly referred to as a "primitive [i.e. non-hegemonic] economic-corporate" reality. At this stage of "primitive" class development, the potential hegemon is incapable of transcending beyond immediate banal satisfaction of its own class and material ends, let alone leading, in intellectual and moral terms, socially subordinate groups.

"Hegemony ... Must Also Be Economic"

Gramsci does not reduce his concept of hegemony to ideological terms only. In a very well-cited and famous passage, Gramsci reveals the objective economic conditions which first must be present in a social formation before expansive relations of hegemony can be exercised:

Undoubtedly the fact of hegemony presupposes that account be taken of the interests and the tendencies of the groups over which hegemony is to be exercised, and that a certain compromise equilibrium should be formed -- in other words, that the leading group should make sacrifices of an economic-corporate kind. But there is also no doubt that such sacrifices and such compromises cannot touch the essential; **for though hegemony is ethical-political, it must also be economic, must necessarily be based on the decisive function exercised by the leading group in the decisive nucleus of economic activity.**⁵¹ [emphasis added]

⁵¹ Gramsci, "The Modern Prince," pp. 161.

In Gramscian theory, then, only a fundamental social group cognizant both of the economic role it performs -- and the advantages it enjoys -- in the "decisive nucleus" of the economy can become a force of truly hegemonic proportions. As Hyug Baeg Im points out, "the development of the material forces of production provides the objective base for the establishment of hegemony of a dominant class. [However] ... in order to reproduce hegemony continuously, the dominant class should make every effort to reproduce the existing mode of production."⁵² Furthermore, Gramsci argued that a "social group can, and ... must, already exercise 'leadership' [ie. hegemony] before winning governmental power."⁵³ Thus,

even before attaining power a class can (and must) 'lead'; when it is in power it becomes dominant, but continues to 'lead' as well. [T]here can and must be 'political hegemony' even before the attainment of governmental power, and one should not count solely on the power and material force which such a position gives in order to exercise political leadership or hegemony.⁵⁴

Hegemonic relations must, therefore, be realized prior to the acquisition of state power. Otherwise, Gramsci cautions, those who have acquired premature possession of the state will remain in a phase of "economic-corporate primitivism," incapable of leading intellectually or morally. Thus, it is not enough for a potential hegemon to present and convince subordinate groups that its political programme is ethical and wise (i.e., hegemony as intellectual and moral reform) -- **it must also simultaneously implement economic development policies which will assure the consensual participation of the social classes it seeks to lead and dominate.** Gramsci poses the problematic a potential hegemon faces in these terms:

⁵² Hyug Baeg Im, "Hegemony and Counter-Hegemony in Gramsci," *Asian Perspective*, 15:1, (Spring-Summer 1991), pp. 128.

⁵³ Gramsci, "Notes on Italian History," pp. 57.

⁵⁴ *Ibid.*

Can there be cultural reform, and can the position of the depressed strata be improved culturally, without a previous economic reform and a change in their position in the social and economic fields? **Intellectual and moral reform has to be linked with a programme of economic reform** -- indeed the programme of economic reform is precisely the concrete form in which every intellectual and moral reform presents itself.⁵⁵ [emphasis added]

To briefly summarize this section, then, a dominant fundamental social group which is able to achieve and exercise consensual intellectual, political, moral **and economic** direction over socially subordinate groups is said to be a hegemonic historic entity.

III. A Crisis of Hegemony in Gramscian Theory

Between consent and force stands corruption/fraud (which is characteristic of certain situations when it is hard to exercise the hegemonic function... [C]racks open up everywhere in the hegemonic apparatus, and the exercise of hegemony [becomes] permanently difficult and aleatory. [Antonio Gramsci]⁵⁶

In his Prison Notebooks, Gramsci speculated that the theme of hegemony would become so decisive and crucial a factor, especially in the "advanced" capitalist states in the West where bourgeoisie hegemony is firmly entrenched ideologically, that a transition to socialism would only be realized in the context of a general "crisis of authority," or crisis of bourgeois hegemony. For Gramsci, this crisis of hegemony involves, above all, the collapse of old authority patterns and the subsequent installation of a "new cultural order." In this section, I outline the significance of a crisis of hegemony in Gramscian theory, relating how, and on what terms, the bourgeoisie is capable of restoring order in and through the crisis of capitalist hegemony.

⁵⁵ Gramsci, "The Modern Prince," pp. 133.

⁵⁶ Gramsci, "Notes on Italian History," pp. 80.

The "Morbid" Crisis of Bourgeois Hegemony

According to Gramsci, a crisis of bourgeois hegemony is first observed when a fundamental social group is driven to exercise "domination without leadership; dictatorship without hegemony."⁵⁷ It occurs on two conditions:

Either [i] because the ruling class has failed in some major political undertaking for which it has requested, or forcibly extracted, the consent of the broad masses (war, for example), or [ii] because huge masses (especially of peasants and petit-bourgeois intellectuals) have passed suddenly from a state of political passivity to a certain activity, and put forward [counter-hegemonic] demands which taken together, ... add up to a revolution. A 'crisis of authority' is spoken of: this is precisely the crisis of hegemony, or general crisis of the State.⁵⁸

In the period between the onset of a general crisis of hegemony and its final resolution Gramsci anticipated that, "a great variety of morbid symptoms [would] appear."⁵⁹ For Gramsci, a crisis of hegemony's first "morbid symptom" was signalled when the dominant group openly uses the coercive apparatus of the state against civil society in order to preserve its preeminent position in society.

Gramsci theorized that crises of bourgeois hegemony would be frequent and unavoidable occurrences since a bourgeois hegemon will always be faced with the challenge of fulfilling contradictory economic and corporate sacrifices. These sacrifices -- the social price the bourgeoisie has to pay in order to ensure class peace -- tend to threaten the very economic base upon which the bourgeoisie's social hegemony rests. As a consequence, a bourgeois hegemon inevitably comes up against what Gramsci called the "limits of hegemony." Chantal Mouffe observes:

⁵⁷ Gramsci, "Notes on Italian History," pp. 60.

⁵⁸ Gramsci, "State and Civil Society," pp. 210.

⁵⁹ Ibid., pp. 275.

If in fact the the exercise of hegemony involves economic and corporate sacrifices on the part of the aspiring leading class, the latter cannot, however, go so far as to jeopardize its basic interests. Sooner or later, therefore, the bourgeoisie comes up against the limitations of its hegemony, as it is an exploiting class, since its class interests must, at a certain level, necessarily clash with those of the popular classes.⁶⁰

Whilst a crisis of bourgeois hegemony generally tends to be precipitated by an economic crisis, not all economic crises produce hegemonic crises of Gramscian proportions. This is so, Gramsci argued, because concomitant with the development of capitalist relations, "'civil society' has become a very complex structure ... one which is resistant to the catastrophic 'incursions' of the immediate economic element (crisis, depressions, etc.)."⁶¹ Hence, for Gramsci, economism's great "crisis theory" anticipating the final, irrevocable and complete great economic breakdown of capitalism as a result of incurable structural contradictions accruing to the system, which would then subsequently usher in a new era of revolutionary socialism, must be dispensed with as a viable political strategy since,

... it may be ruled out that immediate economic crises of themselves produce fundamental historical events; they can simply create a terrain more favourable to the dissemination of certain modes of thought, and certain ways of posing and resolving questions.⁶²

Gramsci, therefore, is seen to avoid a deterministic relation between economic crisis and revolution. In drawing an analogy between defensive World War I trench warfare military strategy on the one hand, and the proponents of crisis theory on the other, Gramsci most ably and convincingly warned revolutionaries against the pitfalls of attempting to rally their forces around "catastrophic incursions of the immediate economic element." The

⁶⁰ Chantal Mouffe, "Hegemony and Ideology in Gramsci," pp. 183.

⁶¹ Gramsci, "State and Civil Society," pp. 235.

⁶² Gramsci, "The Modern Prince," pp. 184.

passage, not only for its incredible insight, but for sheer ingenious use of military metaphor is worth quoting in full.

The superstructures of civil society are like the trench-systems of modern warfare. In war it would sometimes happen that a fierce artillery attack seemed to have destroyed the enemy's entire defensive system, whereas in fact it had only destroyed the outer perimeter; and at the moment of their advance and attack the assailants would find themselves confronted by a line of defence which was still effective. The same thing happens in politics, during the great economic crises. A crisis cannot give the attacking forces the ability to organize with lightning speed in time and in space; still less can it endow them with fighting spirit. Similarly, the defenders are not demoralized, nor do they abandon their positions, even among the ruins, nor do they lose faith in their own strength or their own future. Of course, things do not remain exactly as they were; but it is certain that one will not find 'the element of speed, of accelerated time, of the definitive forward march... [...] Hence it [the revolution] is a question of studying 'in depth' which elements of civil society correspond to the defensive systems in a war.⁶³

As Gramsci anticipates, then, a crisis of bourgeois hegemony would not be strictly confined to a matter of economic breakdown. Rather, a crisis of bourgeois hegemony could be expected to achieve its maturest expression on the political and ideological terrains of class struggle.

Presently, the struggle for capitalist hegemony at the global level is being waged most fiercely -- and in all likelihood -- most decisively on the ideological battle field. As Gramsci argued, the crisis of hegemony manifests itself exactly at that moment when "the great masses become detached from their traditional ideologies, and no longer believe what they did traditionally."⁶⁴ The painful transition from Keynesian hegemony to neo-liberal hegemony has revealed massive cracks in the legitimizing apparatus of the system. This delegitimization has opened up new political spaces and given rise to new forces of resistance, new methods of popular revolt and cultural protest, as the proliferation of the "new" social movements of

⁶³ Gramsci, "State and Civil Society," pp. 235.

⁶⁴ Ibid., pp. 275.

radicalism -- i.e., feminism, pacifism, environmentalism, anti-racism, etc. -- demonstrate. However, Gramsci was adamant that even in the depths of the most severe economic crisis, the bourgeoisie may still be capable of resolving the crisis of capitalism favourable to its overall class interests. Thus, while these new movements are challenging a certain historical form of capitalism - namely, patriarchal capitalism -- they have not been able, at least thus far, to fundamentally challenge the capitalist system itself. Nonetheless, these movements are important in that they convincingly demonstrate the fact that capitalism creates, with its expansion, new contradictions which threaten the very ecological and human support systems of our planet.

Restoring Bourgeois Order: The Passive Revolution

In Gramscian theory, the overthrow of bourgeois order is rarely (if at all) realized in the context of a devitalizing economic crisis. More often than not, Gramsci expected the restoration of bourgeois order (albeit in a reconstituted form) during and after a general crisis of hegemony to be guaranteed by the strategic intervention of the state. It is precisely on the level of what Gramsci refers to as the "passive revolution," where the relationship between the fundamental group and masses is not organized along organically "consensual" means but based on state domination and/or dictatorship, that the dialectic of destruction/reconstruction of bourgeois hegemony is thought to take place. This "revolution without revolution" generally corresponds to a "higher" stage in the development of the capitalist mode of production, and typically involves unprecedented state intervention on side of capital, favouring the overall conservatism of the capitalist system.

In his Prison Notebooks, Gramsci cited the phenomenons of New Deal "Americanism and Fordism," and the emergence of Italian Fascism in the inter-war period, as two concrete historical examples of passive revolutions in the twentieth century. In both cases, Gramsci noted that the state intervened massively -- of course with different means, severity and political motives in mind -- in times of intense crisis to restructure and reorganize capitalist relations between labour and industry. In the case of the former, the passive revolution in the United States took the political form of Keynesian demand-side economics, whilst in the case of Fascist Italy, corporatism prevailed.⁶⁵ Whether the supply-side transformation of capitalist hegemony will save capitalism in the present conjuncture is still very much in doubt.

IV. Conclusion: Toward An Application of Gramscian Hegemony

In this conceptual/theoretical chapter, I have provided a brief examination of the concept of hegemony in Gramscian theory. I have sought to clarify Gramsci's somewhat convoluted conceptualization of hegemony in the hope of applying, with some intellectual and practical rigour, this unique concept to the changing nature of capitalist hegemony and related transformations in the "new world order." Towards which, we now turn.

⁶⁵ See both Gramsci's "Notes on Italian History" (pp. 52-120), and "Americanism and Fordism" (pp. 279-318), for a more detailed historical discussion of the passive revolution in these two respective political economies.

Chapter Three.
**The Struggle for Capitalist Hegemony in a Changing World:
A Gramscian Analysis of the Rise to Dominance of the
'New' Intellectual and Political Right**

For the important question today ... is the question whether those are right who think that the course of prudence and proved wisdom is to trust to time and natural forces to lead us with an invisible hand to the economic harmonies; or those who fear that there is no design but our own, and the invisible hand is merely our own bleeding feet moving through pain and loss to an uncertain and unprofitable destination. [John Maynard Keynes] ¹

[T]he eclipse of a way of living and thinking cannot take place without a crisis. [Antonio Gramsci] ²

[F]or all we know a new period of struggle for world hegemony has already begun. [Giovanni Arrighi] ³

Introduction

Gramscian political economy holds that intellectual coherence can, and often does, play a leading role in influencing the direction of political and economic policy. This Gramscian assertion is perhaps most forcefully illustrated in the post-World War II era where a powerful intellectual and political alliance cohered around the ideas of the British economist John Maynard Keynes. Keynes's ideas for managing capitalism, mainly set down in The General Theory of Employment, Interest, and Money, first published in 1936, were formulated on the premise that the state could and should intervene to reinvigorate and ensure the conditions for capitalist accumulation. While particularly influential in post-1945 Anglo-American worlds, Keynesian state interventionist strategies would come to be adopted, to varying degrees, by virtually all industrial democracies. The post-war

¹ John Maynard Keynes, cited in The Policy Consequences of John Maynard Keynes, Harold Watel (ed.), Armonk, New York: E. M. Sharpe, Inc., 1985, pp. 32-33.

² Antonio Gramsci, "State and Civil Society," pp. 242.

³ Giovanni Arrighi, "The Three Hegemonies of Historical Capitalism," Review, 13:3, (Summer 1990), pp. 405.

policy development and implementation of Keynes's ideas by his followers can in fact be credited with restoring confidence, devastated by the depression and the war, in the private capitalist economy.

Keynes's ideas for managing capitalism held powerful ideological currency, particularly in the Northern industrial world, from the end of World War II up to the mid-1970s. However, with the onset of the world economic crisis in the early 1970s, Keynesianism fell into public and political disrepute. A so-called monetarist political economy "counter-revolution," which places weighty emphasis on the "supply-side" of the economic equation and whose politics are to the (far) right of the political spectrum, arose to aggressively challenge the post-war "Keynesian consensus." By the beginning of the 1980's, it was clear that Keynesianism had been superseded by a new, more powerful alliance of "new right" intellectual and political forces. In Keynes's stead, the ideas of rightist "organic intellectuals" -- including, most prominently, Milton Friedman and Friedrich Hayek -- who extol the ethical, economic and moral virtues of "free" markets over state control, have gained the upper hand on Keynes's disciples in the struggle for Gramscian-type intellectual and moral superiority.

To understand how conservative intellectual and political movements with ideologies explicitly condemning Keynes and Keynesian policies have gained influence and power throughout the world during the past decade and a half, I employ a Gramscian analysis to the question of global restructuring. My aim in this chapter is to identify the conservative social forces which ascended in the 1970s and 1980s to provide the necessary intellectual and moral leadership absolutely crucial for the new right's radical restructuring of world capitalist hegemony. The argument presented here in this thesis is that

capitalist hegemony at the world level is being transformed in conformity with the pro-market/anti-statist ideas of the new right's "organic intellectuals," and those social forces favouring a more "liberal" global political economy. It is the contention of this thesis that a Gramscian-informed analysis of global restructuring is essential to understanding the contemporary dominance of market capitalism and spread of related "neo-liberal" views throughout the developed and developing worlds.

The argument is presented in five sections. Section I outlines, in basic detail, Keynes's ideas for managing capitalism. It reveals that the interpretation and subsequent policy implementation of Keynes's ideas in the post-war era by his followers significantly differed from what Keynes himself had advocated. Section II provides a critical overview of the economic and political ideas of the anti-Keynesian "counter-revolution," the pro-market intellectual movement which rose in the early 1970s to aggressively challenge the "Keynesian consensus." Section III argues that the ascendance to political power of the "new right" in the early 1980s convincingly demonstrates that the ideas of rightist "organic intellectuals" have come to dominate over "traditional" (i.e. Keynesian) intellectuals. The global political economy of the new right is discussed in this section, in particular focusing on how the right's intelligentsia has been able to hold together a wholly unsettling alliance of conservative political and economic social forces. The contemporary decline and retreat of leftist intellectuals is discussed in section IV. Section V looks at the contradictions involved in introducing disciplinarian neo-liberalism into the periphery of the world capitalist system, in context of the International Monetary Fund's-led structural adjustment

programme for Third World development. A final concluding section informally speculates on the future political fortunes of the new right.

I. Keynes and the Crisis of Keynesianism

The ideas of economists and political philosophers, both when they are right and when they are wrong, are more powerful than is commonly understood. Indeed the world is ruled by little else. Practical men, who believe themselves to be quite exempt from any intellectual influences, are usually slaves to some defunct economist. [...] I am sure that the power of vested interests is vastly exaggerated compared with the gradual encroachment of ideas. [John Maynard Keynes]⁴

The essential premise guiding Keynes's economic thought was precisely that free market capitalism **does not** work to establish a social optimum. Throughout his career Keynes was an outspoken social critic of classic *laissez-faire* positions. On the topic of private investment, for instance, Keynes wrote in a 1920s essay entitled, "The End of *Laissez-Faire*:"

I believe that some coordinated act of intelligent judgment is required as to the scale on which it is desirable that the community as a whole should save, the scale on which these savings should go abroad in the form of foreign investments, and whether the present organization of the investment market distributes savings along the most rationally productive channels. I do not think that these matters should be left entirely to the chances of private judgement and private profits, as they are at present.⁵ [emphasis added]

In The General Theory, Keynes argued that the "accepted classical theory of economics ... [and] its tacit assumptions are seldom or never satisfied, with the result that it cannot solve the economic problems of the real world."⁶ He vehemently maintained that private free-enterprize capitalism is inherently unstable, and, ultimately, amoral:

⁴ John Maynard Keynes, The General Theory of Employment, Interest, and Money, London: MacMillan, and Co. Ltd., 1964, pp. 383.

⁵ Keynes, cited in Allan Meltzer's Keynes's Monetary Theory: A Different Interpretation, Cambridge: Cambridge University Press, 1988, pp. 303.

⁶ Keynes, The General Theory, pp. 378.

The decadent international but individualistic capitalism in the hands of which we found ourselves after the War, is not a success. It is not intelligent, it is not beautiful, it is not just, it is not virtuous -- and it doesn't deliver the goods.⁷

For evidence to support his claim that *laissez-faire* capitalism "doesn't deliver the goods," Keynes needed only to cite the cyclical boom-bust/expansion-contraction nature of the capitalist business-cycle. Keynes argued that excessive fluctuations in stock prices, triggered by the feverish speculative urges and whims of private investors, caused the stock market crash of 1929, culminating in the "Great" Depression of the 1930s. Keynes recognized that the collapse of private investment in the 1930s had disrupted capitalism's accumulation (i.e. savings-investment) process. Accordingly, if capitalism was to be saved, then the critical accumulation process would have to be reinvigorated. As Paul Sweezy contends, Keynes's radical insights into how the capitalist system functions (and ultimately dysfunctions) led him to propose a "sweeping reconsideration" of bourgeois economic theory:

For the first time the possibility was frankly faced, indeed placed at the very center of analysis, that breakdowns of the accumulation process, the heart and soul of economic growth, might be built into the system and non-self-correcting. [I]t was this feature of The General Theory which more than anything else marked it as a turning point in the development of bourgeois economic theory. The stage was thus set for a sweeping reconsideration of the whole theory of investment.⁸

Keynes himself came to believe that he was writing, with The General Theory, a truly "revolutionary" text. In a letter written to Bernard Shaw in 1935 (one year before The General Theory was published), Keynes remarked:

[Y]ou have to know that I believe myself to be writing a book on economic theory which will largely revolutionize -- not, I suppose, at once but in the course of the next ten years -- the way the world thinks about economic problems. When my new theory has been duly assimilated and mixed with politics and feelings and passions, I can't predict what the final upshot will be

⁷ Keynes, cited in The Policy Consequences of John Maynard Keynes, pp. 31.

⁸ Paul Sweezy, "Listen Keynesians!" The Policy Consequences of John Maynard Keynes, pp. 42.

in its effect on action and affairs. But there will be a great change, and, in particular, the Ricardian foundations of Marxism will be knocked away.⁹

The one truly "revolutionary" aspect of Keynes's thought in The General Theory was his contention that the capitalist private economy is not a self-equilibrating one; that is, supply does not always necessarily equal its own demand that classical economists profess. In particular, Keynes argued that left entirely to its own operational devices capitalism could not self-correct for any deviation from full employment. In Keynes's "systemic," or long-term view of capitalism in The General Theory, unemployment was thought not to be caused by short-run imperfections in the market mechanism. Rather, unemployment was portrayed as an endemic, if unfortunate, feature of a purely market-driven economy. Since the market economy is not inherently self-adjusting, Keynes advocated an interventionist policy of public spending on capital works projects for Britain during the depths of the depression in order to artificially stimulate demand, and thereby attempt to reduce staggering unemployment rates. [Public spending on capital works and other Keynesian counter-cyclical measures designed to combat a downturn in the capitalist business-cycle would chiefly distinguish the post-1945 from pre-war economic policy].

Keynes's deep distrust and ideological disdain for purely market-led capitalist development became his intellectual justification for a state interventionist policy. Despite faulting capitalism at nearly every turn -- particularly for inequality of wealth and chronic underemployment -- Keynes nonetheless felt that there were some redeeming qualities in capitalism that

⁹ Keynes, cited on the back cover of MacMillan's 1964 reprinting of The General Theory.

made it worth saving; that wisely managed, the capitalist system could be made to work more efficiently and equitably:

I think that capitalism, wisely managed, can probably be made more efficient for attaining economic ends than any alternative system yet in sight, but that in itself is in many ways extremely objectionable. Our problem is to work out a social organization which shall be as efficient as possible without offending our notions of a satisfactory way of life.¹⁰

Keynes leaves us little doubt that he much preferred "to substitute for the operation of natural forces a scheme of collective planning."¹¹ But, while Keynes entertained Bolshevik ideas of state [dirigiste] management, and, in the concluding chapter of the General Theory even broadly advocates the "comprehensive socialization of investment"¹² in order to secure full employment, in the end he was convinced that socialism held no "middle course" between the doctrinal extremes of Fascism, Bolshevism and Free Marketeerism:

The abuses of this epoch in the realms of government are Fascism on the one side and Bolshevism on the other. Socialism offers no middle course, because it also is sprung from the presuppositions of the era of abundance, just as much as *laissez-faire* individualism and the free play of economic forces.¹³

Keynes thus abhorred Russia's experiment in Bolshevism equally as much as he detested *laissez-faire* capitalism.

In the General Theory Keynes gave his views on why and how the state could and should remedy the lack of capitalism's regulatory mechanisms. Keynes believed that capitalism's more daunting social problems could be redressed if the enormous productive capabilities of capitalism could be tapped by the state and diverted (by an enlightened core of

¹⁰ Keynes, cited in Meltzer's Keynes's Monetary Theory: A Different Interpretation, pp. 39.

¹¹ Keynes, cited in The Policy Consequences of John Maynard Keynes, pp. 33.

¹² Keynes, The General Theory, pp. 378.

¹³ Keynes, cited in Keynes's Monetary Theory, pp. 253.

altruistic state leaders) into achieving socially desirable welfare goals. In his later years especially, Keynes became obsessed with the problem of raising living standards through increased output. So far as Keynes was concerned, the ultimate challenge for economists was to create a more equitable and egalitarian capitalism.

While making a few sketchy references to counter-cyclical policy, the general recommendation in the General Theory calls for state planning of investment. Keynes favoured a state-managed monetary and investment system which, in his mind, would reduce risk, economic uncertainty and ignorance -- "the greatest economic evils of our time:"

Many of the greatest economic evils of our time are the fruits of risk, uncertainty and ignorance. It is because particular individuals, fortunate in situation or in abilities, are able to take advantage of uncertainty and ignorance, and also because for the same reason big business is often a lottery, that great inequalities of wealth come about; and these same factors are also the cause of unemployment of labour, or the disappointment of reasonable business expectations, and of the impairment of efficiency and production.¹⁴

Keynes believed that the intensity and frequency of economic contractions (and therefore pervasive uncertainty in the private capitalist economy of the time) could be reduced if the state intervened to stabilize and direct investment. Keynes wrote expectantly in The General Theory that the "state, which is in a position to calculate ... on long views ... the basis of the general social advantage, [would] take an ever greater responsibility for directly organizing investment."¹⁵

¹⁴ Keynes, cited in Keynes's Monetary Theory, pp. 253.

¹⁵ Keynes, The General Theory, pp. 164.

Keynesianism in Practice

There is little doubt that the American and British architects charged with planning for the post-World War II peace and international reconstruction were keenly anxious to avoid a return to the inter-war experience. Consequently, immediate planning concerns centred on policy initiatives that would reduce risk and economic uncertainty in the international economy to a minimum, while at the same time increasing global output and global employment. Keynes's ideas for managing capitalism, designed on the premise that the state and international institutions like the International Monetary Fund and the World Bank should stabilize the macroeconomy and keep it running on an even keel, fitted the bill admirably.

With the traumas of the thirties and forties doubtlessly still in mind, even the most fervent and vigilante pro-market supporter felt politically and economically compelled to support Keynesianism's interventionist full employment initiatives; putting people back to work was a compulsive concern for post-1945 capitalist planners and leaders. Thus, despite conservative protestation that Keynesian state planning was unnecessary, even "oppressive," it was politically indefensible to suggest a return to the kind of "decadent" capitalism which prevailed prior to the depression. As the historian Arnold Toynbee wrote of the early 1930s: "[M]en and women all over the world were seriously contemplating and frankly discussing the possibility that the Western system of Society might break down and cease to work."¹⁶ It was precisely the failures of capitalism during the 1930s which

¹⁶ Cited in The Mail Star, February 10, 1992, pp. C1.

ensured that Keynes's ideas (however adulterated) would be adopted in the post-1945 setting.¹⁷ Keynesianism would, in fact, save capitalism from itself.

Keynes himself was aware that his proposals for managing capitalism's affairs would mean some infringement on the individual liberties that classical economists and conservative ideologues alike dearly hold ideologically inviolable. However, as Allan Meltzer writes in Keynes's Monetary Theory: A Different Interpretation, Keynes also believed that,

personal freedom was compatible with the enlarged role of the state. [...] Keynes believed that the power of the state would be checked by public criticism, elections, and elected officials serving as 'judges.' He was able to convince himself, and he tried to convince others, that the increase in living standards from state planning and direction of investment would more than compensate for the inefficiency and possible corruption that it would bring.¹⁸

In retrospect, Keynes's belief that the interventionist state he proposed could be intelligently, altruistically and efficiently run by a group of disinterested "judges" was, of course, shamefully naive. Marx understood better than Keynes that the capitalist state is merely an "executive" instrument through which the bourgeoisie exercises and augments its class rule and material wealth. Nevertheless, Keynes defended his proposals to increase the power of the state in the economy on the grounds that it is "the only practicable means of avoiding the destruction of existing economic forms in their entirety."¹⁹ In Keynes's mind, the ends (saving capitalism) justified the means (state interventionism).

¹⁷ It is generally accepted, certainly among leftist political economists, that the failures of the capitalist economy during the 1930s were directly responsible for birthing national Fascist movements in Germany, Italy and Japan. Thus capitalism, not Fascism, was ultimately responsible for causing World War II.

¹⁸ Meltzer, Keynes's Monetary Theory, pp. 193.

¹⁹ Keynes, The General Theory, pp. 380.

However enviable in theory though, in practice, Keynesianism deviated significantly from the unorthodox, even radical theoretical premises Keynes had developed in The General Theory. As Robert Lekachman correctly observes, the post-war interpretation and subsequent implementation of Keynes's ideas following his untimely death in 1946 often left much to be desired:

Keynesians really are quite separable from Keynes. [T]he textbook writers have 'bastardized' Keynes. Their Keynes turns out to be a rather mild fellow, willing to tinker with monetary and fiscal policy, the better to preserve capitalist arrangements with which he was for the most part content.²⁰

Paul Sweezy in "Listen Keynesians!" further takes up Lekachman's argument, asserting that the orthodox interpretation of Keynes "bastardized" The General Theory "to the point of turning Keynesianism into a cure-all for the capitalist business cycle." In the post-war bowdlerized version of Keynesianism, Sweezy contends, "Keynes's great achievement was seen not as a highly original contribution to the understanding of capitalism's basic *modus operandi* but as the invention of a set of clever recipes to counteract the ups and downs of the business cycle."²¹

As both Lekachman and Sweezy suggest, Keynes himself was much more "radical" than his Anglo-American disciples dared ever to be. One commentator on Keynes even goes so far as to suggest that,

the failure of Keynesianism, indeed the contribution of Keynesianism to its own demise, derived from a failure to elucidate the truly radical theoretical propositions implicit in Keynes's analysis. If this had been done, then Keynesianism could not have become a quasi-free-market doctrine. Instead, it

²⁰ Robert Lekachman, "The Radical Keynes," The Policy Consequences of John Maynard Keynes, pp. 30.

²¹ Paul Sweezy, "Listen Keynesians,!" pp. 43.

would have clashed directly with the interests vested in free markets and free trade. It is not Keynes that has failed but Keynesianism.²²

The Crisis of Keynesianism

From the very beginning, Keynesianism's full employment fortunes were inextricably tied to, and premised on, an expanding global economy. Guaranteed by the supremacy of the United States, the post-war period, at least up to the early 1970s, was one unrivalled in capitalism's history in terms of global economic prosperity, political stability and industrial expansion. As Desmond King contends, the strong productivity gains of the post-war period allowed for economic growth to occur, which in turn permitted social consensus, Keynesian interventionism and full employment policies, as well as the "assumption by the state of responsibility for welfare, social security and education provisions, or what is frequently termed the 'social wage.'"²³ To crudely summarize the post-war period up to the mid-1970s, then, an expanding global economy generated productivity gains on the supply-side which, in turn, permitted expansionary Keynesian policies on the demand-side.

All of this post-war economic prosperity and social "peace" came to a dramatic halt, however, in the early 1970s when the rate of global output began to precipitously decline and Keynesian policy began to fail. [See Figure I, next page]

²² John Eatwell, "Keynes, Keynesians, and British Economic Policy," The Policy Consequences of John Maynard Keynes, pp. 75.

²³ Desmond King, "Economic Crisis and Welfare State Commodification: A Comparative Analysis of the United States and Britain," Capitalist Development and Crisis Theory: Accumulation, Regulation and Spatial Restructuring, M. Gottdiener and N. Komminos (eds.), New York: St. Martin's Press, 1989, pp. 242.

Figure I.
Average Annual Growth Rate of World Output, by Region: 1960-1990

	<u>1961-73</u>	<u>1974-80</u>	<u>1981-90</u>
	-----annual percent change-----		
World Output	5.5	3.6	3.0
Developed Market Economies	5.0	2.5	2.7
United States	4.0	2.2	2.6
Western Europe	4.8	2.4	2.8
Japan	9.8	3.8	3.8
Eastern Europe and USSR	6.6	4.6	2.6
Developing Countries	6.3	5.1	3.1

Source: United Nations, World Economic Survey 1990, New York, pp. 13.

As the world economic crisis -- reflected in declining productivity -- became more generalized and deeper in the industrialized world, Keynesian policy lost much of its credibility, reliability and potency. Keynesianism's failures in the 1970s prompted many radical scholars to charge that the full employment perspective operated only as long as economic prosperity and industrial expansion allowed. Following this line of thought, Andre Gunder Frank argues that, as the world economy began to contract, Keynesianism became a hopelessly bankrupt decision:

The Keynesians claimed that they had figured out a way to eliminate economic crisis and recessions forever through the use of Keynesian policy. They claimed that prosperity is the result of very good theory and their very wise policies. Ironically, the evidence suggests just the opposite: first of all, Keynesian policy did not work during the 1930s. It was not Keynesian policy that got us out of the Depression; it was World War II. Keynesian policy worked while there was prosperity and an expansion [i.e., 1945-1967]. Keynesian policy ceased to work when the new crisis emerged in the mid-1960s and particularly the 1970s, when Keynesianism became completely bankrupt. So it is just the other way around.

Prosperity was the cause of success of Keynesianism, and not Keynesianism the cause of the success of prosperity.²⁴

Whatever the cause for, or lack thereof, of Keynesianism's post-1945 success one thing is certain: the public appeal of Keynesian policies began to decline precipitously from the mid-1970s onward, precisely when inflation became more generally widespread, higher and much more durable than previously experienced. In the 1970s, a crippling combination of spiralling inflation and persistent high unemployment -- "stagflation"-- consistently rendered orthodox Keynesian counter-cyclical responses impotent. Expansionary Keynesian fiscal and monetary "fixes" proved to be thoroughly incapable of over-coming the contradictions of a non-expanding world economy. Classical Keynesian demand management strategies for reinvigorating the macroeconomy, including "pump-priming" and increasing government expenditures, only managed to amass huge public deficits throughout the 1970s. Yet even as governments everywhere were piling up these huge debts, unemployment and inflation continued to hit new unheard of extremes. As a consequence of declining productivity, the Keynesian welfare state found it increasingly difficult to fulfill the terms of its own social contract. In a contracting global economy, Keynesianism thus became an increasingly "costly" and hapless enterprise. The Keynesian consensus began to break down. One consequence of the failure of Keynesian policy in the 1970s was that it opened the door for the launching of the "counter-revolution's" offensive against Keynesianism.

²⁴ Andre Gunder Frank, "Political Ironies in the World Economy," America's Changing Role in the World-System, Terry Boswell and Albert Bergesen (eds.), New York: Praeger Publishers, 1987, pp. 40.

II. The Anti-Keynesian "Counter-Revolution" in Bourgeois Economic Theory

Keynes may still be beloved among premiers and journalists who took economics 101 in 1962 and have considered themselves authorities ever since, but we presume that we have more up-to-date advice. [*Globe and Mail*] ²⁵

The struggle for intellectual and moral hegemony, as Gramsci perceived it, is fundamentally an ideological struggle in which the superiority of one dominant group's intellectuals ultimately prevails over all other political challengers. The dialectical quality of Gramscian political economy asserts that intellectuals are not a social group independent of class. Rather, they are firmly rooted in the social order. Gramsci contends that as each class develops it generates jobs for intellectuals who are recruited from, and therefore "organically" tied to, that class. Not only do these "organic intellectuals" provide the necessary defense for class rule, but they must also provide members of the ruling class with self-awareness. In so doing, organic bourgeois intellectuals help the bourgeois class augment its material, and hence, political power.

Gramsci further argued that the organic intellectuals of the aspiring hegemonic class must first confront and triumph ideologically over "traditional intellectuals," who are recruited from an older dominant class, and who still exercise some degree of intellectual influence over the entire population. Hence, "one of the most important characteristics of any group that is developing towards dominance is its struggle to assimilate and to conquer 'ideologically' the traditional intellectuals."²⁶ In other words, any

²⁵ *Globe and Mail*, February 12, 1992, pp. A12.

²⁶ Gramsci, "The Intellectuals," pp. 10. Gramsci identified "traditional intellectuals" in early twentieth century Italy as "men of letters," which included, clerics, humanists, lawyers, authors, and so forth.

social group aspiring towards Gramscian hegemony must first neutralize its political opponents; it must win the all-important "battle of the ideas."

With these insights in mind, this section details, in Gramscian terms, the rise to dominance of an intellectual "counter-revolutionary" movement opposed to the prevailing Keynesian orthodoxy. Following Gramsci, I argue that the pro-market ideas of the counter-revolution's "organic intellectuals" gathered a strong political following in the 1970s, a decade characterized by chronic global economic and political dislocation. By the early 1980s, the "supply-side" ideas of the "new economists" had prevailed over those of the "traditional" demand-oriented Keynesians, as witnessed by the coming to political power of monetarism's "new right." The conservative political and social forces encapsulated under the new right banner are presently transforming the very nature and content of capitalist hegemony at the global level along pro-market/anti-Keynesian lines.

The Rise of the Anti-Keynesian Intelligentsia

The anti-Keynesian (or monetarist) "counter-revolution" in bourgeois economic theory began in the early 1970s when a small body of loosely integrated intellectuals, mainly from Britain and the United States, set out to create a systematic and coherent body of economic thought opposed to the prevailing Keynesian orthodoxy. Whilst, at first, mainly consisting of disgruntled economists professionally alienated from their peers, the intellectual movement against Keynesianism gained considerable world-wide momentum, especially from the mid-1970s onward, when Keynesian counter-cyclical policies were widely acknowledged to be failing to

reinvigorate a contracting world economy. In Restructuring the World Economy, the author, Joyce Kolko argues that anti-Keynesian

views and 'supply-side' concepts emerged ... forcefully [in the 1970s] ... as economists noted that Keynes's ideas were inadequate for dealing with the current problem, particularly with inflation. [...] High inflation and the persistent crisis allowed the monetarists in the universities to supersede the Keynesians as advisors to the men of power.²⁷

As Kolko notes, by the mid-1970s inflation had proven irretractable to traditional Keynesian methods. As a consequence, the ideas of a small, but extremely aggressive group of anti-Keynesian economists became highly influential.²⁸

The early efforts of the counter-revolutionaries focused almost exclusively on publicly defaming Keynes and Keynesian policy. Public statements, such as this one from the economist Norman Ture, were typical:

The influence of Keynesianism on public policy has been regrettable. Public policies have misidentified the barrier to economic progress as inadequate or misdirected aggregate demand. [...] The pursuit of these [Keynesian] policies has been associated with an ever-increasing presence of government in the economy, a presence that far more often than not has masked or distorted market signals and impaired market functions. ²⁹

In fact, blaming Keynes and his followers for causing high rates of inflation and distorting market "signals" became the unceasing keynote address of the early anti-Keynesian intellectual movement. In the invective of Friedrich Hayek, one extremely vocal anti-Keynesian crusader of the time:

²⁷ Joyce Kolko, Restructuring the World Economy, Toronto: Random House, Inc., 1988, pp. 32.

²⁸ It is important to note in passing that the anti-Keynesian discourse found some limited political support following the OPEC oil "shock" of 1973 when the price of oil quadrupled overnight. Almost as quickly as the price of oil shot up, leaders in the West emerged to identify inflation as "public enemy number one." With the ensuing "wars on inflation" which prevailed during the rest of the 1970s, the ideas of the "new" economists were at least ensured a sympathetic political ear.

²⁹ Norman B. Ture, "Keynes's Influence on Public Policy: A Conservative's View," The Policy Consequences of John Maynard Keynes, pp. 52.

[T]he responsibility for current world-wide inflation, ... rests wholly and squarely with the economists ... who have embraced the teachings of Lord Keynes. What we are experiencing are simply the consequences of Lord Keynes. It was on the advice and even urging of his pupils that governments everywhere have financed increasing parts of their expenditure by creating money on a scale which every reputable economist before Keynes would have predicted would cause precisely the sort of inflation we have got.³⁰

Thus, in the view of the anti-Keynesians', "endeavours to prolong the [post-war] prosperity and to secure [Keynesian] full employment by means of the expansion of money and credit, in the end created a world-wide inflationary development."³¹

As for correcting the inflationary problems which following Keynes's "teachings" for forty years have inevitably caused, the counter-revolutionaries contend that the world has been forced into a regrettable, but necessary, period of extremely painful disinflation involving monetary and fiscal contraction, austerity and high unemployment. Hayek, for instance, maintains without regret that, "we must face the fact that in the present situation merely to stop inflation or even to slow down its rate will produce substantial unemployment."³² Since the counter-revolutionaries believe that "inflation is always and everywhere a monetary phenomenon,"³³ they would have us believe that today's most pressing economic problems -- i.e., unemployment, inflation, price and currency volatility, etc. -- can only be solved through fiscal and monetary policies that tightly restrict demand. Thus, the "problem" identified by Keynes and his disciples -- namely that of demand insufficiency -- is now argued by the anti-Keynesians to be the

³⁰ Friedrich von Hayek, New Studies In Philosophy, Politics, Economics and the History of Ideas, Chicago: University of Chicago Press, 1985, pp. 192.

³¹ Ibid., pp. 131.

³² Ibid., pp. 193.

³³ Milton Friedman, "The Counter-Revolution in Monetary Theory," London: The Institute of Economic Affairs Occasional Paper Series #33, 1970, pp. 24.

problem! In their opinion, there is simply too much demand in the economy. Hence, inflation's "vicious circle can be broken only by people contenting themselves with a somewhat lower real buying power than that which they have been vainly chasing for so long."³⁴ Incredulously, in the counsel of Hayek and others of his ilk, government authorities are advised to contract economic activity in order to control inflation.

But it was not just "Keynesian inflation" that the monetarist counter-revolution singled out for attack. Counter-revolutionary economists like Milton Friedman and Friedrich Hayek, for instance, took specific offense to Keynes's arguments that the depression of the 1930s was caused by unregulated market forces, that private free-enterprize capitalism is inherently unstable and that, therefore, government had to intervene to keep things on an even keel. In the historical revisionism of these intellectuals, government overinvolvement in the marketplace, not the market mechanism *per se*, can be held responsible for causing the Great Depression. The contemporary lesson to be drawn is simple: government should get out of the marketplace and leave the running of the economy to little understood, but widely held to be, "magical" market forces.

The Classical Intellectual Roots of the Counter-Revolution

In terms of originality, there is precious little that is "new" in the thinking of the counter-revolutionary's anti-Keynesian discourse. In fact, most of the ideas of contemporary organic intellectuals trace their intellectual roots back to the thinking of early nineteenth century British classical "liberal" economists and moral political philosophers. A particularly

³⁴ Hayek, New Studies, pp. 195.

fashionable classical economist now in vogue in rightist intellectual circles is Adam Smith, whose seminal political economy of Britain entitled An Inquiry Into the Nature and Causes of the Wealth of Nations, was first published in 1776. Arguably, no other classical text has been more used -- or abused -- in the intellectual defense of the new right political economy perspective than Smith's Wealth of Nations.

It is precisely the popular perceptions of Adam Smith and other nineteenth century British "liberals" which the counter-revolutionary's intellectuals have selectively resurrected, corrupted and drawn together in asserting the intellectual justification of the moral and ethical superiority of free market capitalism over the Keynesian regulated variety. While the corruption of Adam Smith's ideas can only be hinted at here, suffice it to say that at the hands of contemporary economists like Hayek and Friedman, Smith's fairly complex and moral political economy has been reduced to a few catch phrases totally devoid of any of Smith's ethical considerations. To be certain, some of the "new economics" terminology is certainly a legacy of Adam Smith. *Laissez-faire* , "division of labour," "comparative advantage," "invisible hand," etc., are all concepts that can be found elaborated in Smith's Wealth of Nations. However, it is a very crude and arbitrary representation of Smith's nuanced views that the counter-revolutionary discourse has selected for public perusal and consumption. For instance, today's economists selectively ignore the fact that Smith dismissed outright the idea of a completely free-trade regime as something of an utopianist dream. Smith believed that free trade would be a dangerous economic policy for Britain, since neither British "commerce" (Smith's term for capitalism) nor the British people were socially prepared to embrace its principles. Far from

calling upon government to abdicate all its regulatory powers (the message that the counter-revolution likes to emphasize), Smith **actually** protested against the position of the free-traders:

To expect, ... that the freedom of trade should ever be entirely restored in Great Britain, is as absurd as to expect that an Oceana or Utopia should ever be established in it. [T]he prejudices of the public, [and] what is much more unconquerable, the private interests of many individuals, irresistible oppose it.³⁵

Thus, as Richard Teichgraeber points out, Smith believed that whatever *laissez-faire's* considerable intellectual merits, it "ran far ahead of actual social development in eighteenth-century Europe."³⁶ It is quite likely that we today still are not socially prepared to embrace "freedom of trade."

Nevertheless, the chief message that influential economists tirelessly propagate from Smith is this: in a free market order, the unrestrained pursuit of individual economic gain ensures, through the mystical functions of the "invisible hand," the greatest societal benefit. The passage from the Wealth of Nations which chief economists at the World Bank and International Monetary Fund ceaselessly recite -- and dogmatically implement -- reads:

[E]very individual necessarily labours to render the annual revenue of the society as great as he can. He generally, ... neither intends to promote the public interest, nor knows how much he is promoting it. [...] [Indeed] he intends only his own security; ... he intends only his own gain, and he is in this, as in many other cases, led by an invisible hand to promote an end which was no part of his intention. [...] By pursuing his own interest he frequently promotes that of the society more effectually than when he really intends to promote it.³⁷

Individualist theorists of market-led development believe that self-interest (ie. possessive individualism) is the **universal** driving force motivating all human activity. They also contend that the competitive structure of the

³⁵ Adam Smith, An Inquiry Into the Natures and Causes of the Wealth of Nations, Richard Teichgraeber (ed.), New York: Random House, Inc., 1985, pp. 241.

³⁶ Ibid., pp. xxxix.

³⁷ Ibid., pp. 225.

market provides the most socially efficient and harmonious means yet available to humankind for harnessing the dynamics of egoistic accumulation. In this view, "the market provides a unique mechanism through which individuals, in pursuing their own ends, ... create wealth which benefits society in general as well as themselves in particular."³⁸ Thus, if only individuals would submit themselves to be guided by so-called abstract "market signals," rather than the heavy hand of the state, the argument runs, society would be better served. Because government intervention in the economy "distorts" or "masks" market signals that would otherwise prevail in a free-market economy, in order to restore the competitive arrangement (ie. "get prices right") government should get out of the marketplace. In other words, the ideas of Keynes and the practice of Keynesianism must perish. The political economic offensive of the new right is trying to ensure just that.

III. The Political Economy of the New Right

"... the planet lurches rightward as ideologies engage." [Bruce Cockburn]³⁹

Gramscian political economy asserts that ideas are capable of becoming materialist forces. Yet Gramsci was not naive enough to believe that ideas alone, no matter how revolutionary, would ever fundamentally change the world. For Gramsci, intellectuals were mere pedants if their ideas were not "dialectically" connected to the "laws" of historical materialism:

The intellectual's error consists in believing that one can know without understanding and even more without feeling and being impassioned... [But] the intellectual can [not] be an intellectual ... if distinct and separate from the

³⁸ Ben Crow et. al., Survival and Change in the Third World, New York: Oxford University Press, 1988, pp. 73.

³⁹ Bruce Cockburn, from the song, "The Trouble With Normal."

people-nation, that is, without feeling the elementary passions of the people, understanding them in the particular historical situation and connecting them dialectically to the laws of history and to a superior conception of the world... One cannot make politics-history without passion, without the sentimental connection between intellectuals and people-nation. In the absence of such a nexus the relations between the intellectual and the people-nation are, or are reduced to, relationships of purely bureaucratic and formal order; the intellectuals become a caste... [I]f the relationship between intellectuals and people-nation, between the leaders and the led, the rulers and the ruled, is provided by an organic cohesion in which feeling-passion becomes understanding and thence knowledge ... then and only then is the relationship one of representation. Only then can there take place an exchange of individual elements between the rulers and ruled, leaders and led, and can the shared life be realized which alone is a social force -- with the creation of the 'historical bloc.'⁴⁰ [emphasis added]

Gramsci understood that in the process of constructing a historical bloc there must be an "organic" or intrinsic union between theory and political praxis -- i.e., between intellectuals and politicians. In a hegemonic bloc, economic and political social forces mutually interact and naturally reinforce one another. However, since these social forces are constantly evolving within dynamic historical materialist parameters, the support of organic intellectuals is enlisted to create a cohesive ideological link between the social bloc's political and economic structures.

In the case of the political economy of the new right, anti-Keynesian intellectuals have provided the theoretical coherence and ideological defense necessary for the political right's project of restructuring capitalist hegemony along pro-market lines. The counter-revolutionary's revival and refinement of classical economic theory have resulted in the demise of Keynesianism and the dominance of monetarism. While it is ironic that classical economic principles once discredited by Keynes are currently reinstated with a renewed vengeance by the political right, it is nonetheless indicative of Gramsci's assertion that the intellectual's development of theory and ideas tends to

⁴⁰ Gramsci, "Problems of Marxism," pp. 418.

complement and reinforce the changing balance of political and economic forces. In the current conjuncture, classical free-market ideas and principles have once again become new powerful material forces capable of restructuring the global economy.

The Rise of the New Right

A number of factors conspired in the 1970s and early 80s to bring the new right to political power. Patricia Marchak in The Integrated Circus: The New Right and Restructuring of Global Markets, advances the thesis that:

... the new right captured a post-hegemonic global economy in which the particular forms of mass production advanced in the steel age were in decline and the new technologies were not fully implemented. It captured a time at which an elite of the dominant corporate world was consciously striving to reorganize production, the labour force, and its own relationships to nation-state governments.⁴¹

In Marchak's view, the rise of the new right can be explained by four critical conjunctures affecting the contemporary global political economy. These four specific conjunctures include: i) the relative decline of American supremacy; ii) the rise of Japan and a united Europe; iii) the introduction of revolutionary and cost-cutting technologies in the production process and iv) the increasing mobility of international, especially financial, capital.

Marchak's concern in The Integrated Circus is not so much with how the new right was able to "capture" a "post-[US] hegemonic" global political economy. Rather, her concern -- and ultimately her thesis -- relies on illustrating the crucial link between the timing of the rise of the new right and the materialist forces it unleashed. In Marchak's view, the new right has "provided the ideological basis for a massive restructuring of industry and

⁴¹ Patricia Marchak, The Integrated Circus: The New Right and the Restructuring of Global Markets, Montreal: McGill-Queen's University Press, 1991, pp. 111.

labour in all countries, and it provided the rationale for the dismantling of the Keynesian welfare state in the industrialized countries."⁴² Hence, "what matters about the new right is that it emerged as a social movement when it did, [and] that its umbrella provided the protection for a swift restructuring of the economies and governments of industrial countries."⁴³

Important as Marchak's political economy insights are in explaining the rise of the new right, it is also imperative to note that rightist political forces and free-market ideas gained legitimacy in a global political economy characterized by intensive North-South, East-West and intra-capitalist conflict. In particular, the inability of the United States to lead the non-Communist world following American military defeat in Vietnam caused the floodgates of world social unrest to open, leading to a cascade of potentially threatening counter-hegemonic attacks against capitalism throughout the 1970s. The OPEC oil and Watergate "shocks," in addition to the South's call for a redistribution of global wealth -- the New International Economic Order in the mid-1970s -- to be followed in close sequence by more American humiliations in the late 1970s including: Iran (hostage crisis); Afghanistan (Soviet invasion); and Nicaragua (Sandinista revolution); drove a strong message home to capitalism's leaders of the time that the world was rapidly spiraling out of their control. As the Marxist scholar Giovanni Arrighi argues, a hostile socio-political environment invariably creates its own demand for social order, conformity and discipline. Thus, as

systemic chaos increases, the demand for 'order' -- the old order, a new order -- tends to become more and more general among rulers or among subjects or among both. Whichever [social group] is in a position to satisfy this system-wide

⁴²Patricia Marchak, The Integrated Circus, pp. 253.

⁴³Ibid., pp. 103.

demand [for order] is thus presented with the opportunity of becoming hegemonic.⁴⁴

It is precisely that instinctive urge for systemic order identified by Arrighi which the ultra-conservative wing of the new right movement during the 70s and early 80s insidiously manipulated in order to further its own political, class, moral, cultural, and in some instances, religious interests. To put it simply, **the coalition of rightist forces collected under the new right banner was able to recognize, as well as meet, a system-wide demand for order.** The populist moral appeal of fundamental conservative values and traditions centring on the family, religion and state, is thus a crucial determinant in helping us explain and understand the reason how the new right was able to capture a global political economy in crisis. Thus characterized, Gramsci's insights into the role political culture, ideas and ideological structures play in re-establishing bourgeois social and political control in and through a crisis of hegemony are absolutely essential.

The "Organic" Ideologies of the New Right

The new right's economic philosophy and political praxis blends a seemingly paradoxical mix of neo-libertarian and neo-authoritarian tendencies. Inspired by the classical economic thought of Adam Smith in particular, and nineteenth century British liberalism more generally, new right economists are persuasive advocates of the economic and ethical superiority of free markets over collectivist government control. Pro-market neo-classical economists publicly proclaim the moral virtues of possessive individualism, freedom of choice, market security, *laissez-faire* capitalism and minimalist government. In the political economy of the new right, these

⁴⁴ Giovanni Arrighi, "The Three Hegemonies of Historical Capitalism," pp. 369.

neo-classical (or neo-liberal) economic principles and ideas are organically integrated with the populist politics of neo-conservatism. Neo-conservative politics emphasize social authoritarianism, disciplined society, hierarchy, patriarchy, duty, and subordination to the nation-state. Thus, the new right political economy combines political doctrines of social collective conformity and authoritarianism (neo-conservatism) with neo-classical economics (neo-liberalism).

To hold this unsettling political economy alliance of social forces together requires the indeterminable support of the new right's intelligentsia. As Alan Swingewood points out, the task of the new right's organic intellectuals has been to fuse classical economic theory with the radical adversarial politics of neo-conservatism. Thus,

... for the ideas of the new right to become effective required a mode of popular legitimation, the active consent of the masses, [and] the construction of a political populism. **Conservatism has now been cast into a new mold in which ideas become material forces as they seize hold of subordinate strata.** Thus the task of the new Conservative intellectuals ... is nothing less than the construction of a totalizing theory of relevance to the study of politics, history, architecture, morality, sociology [and, may we add, development economics?].⁴⁵

While an unsettling political economy alliance, the new right has nonetheless proven that neo-classical tenets of *laissez-faire* capitalism and "traditional" conservative [read patriarchal] family and religious mores are inextricably connected, naturally sustaining and mutually reinforcing. In the American context, the ultra-conservative politician Jesse Helms vehemently asserts:

⁴⁵ Alan Swingewood, "Intellectuals and the Construction of Consensus in Postwar England," Intellectuals in Liberal Democracies: Political Influence and Social Involvement, Alain G. Gagnon (ed.), New York: Praeger Publishers, 1987, pp. 98.

[O]ur first priority in holding back the waves of statism that threaten to engulf us all must be to renew the honor and dignity and prestige of the family. The family has prior right to that of any government. Almighty God is the author of the family and the Lord Jesus Himself grew up subject to his human household.⁴⁶

Amen, Jesse!

The new right is clear that free market rules and morals guiding capitalist accumulation are for the world of the economy and men only; in the household subordination to God, the nation and [white] male authority prevails:

The parts of classic liberalism they [the new right] approve are for men, not women. They think that the family should be run by men according to custom... [...] They fear that the very kind of selfish individualism and instrumentality that they admire in the economy will invade the family, sexual relations, and all situations of warmth and comfort... [T]hey want to recapture an idealized family of the past, exalting the virtues of individualism for men in the marketplace.⁴⁷ [emphasis added]

Thus, the new right is pro-market and pro-[nuclear] family. However, neo-liberal individualism is deemed suitable for males only; restrictions on women to freely choose abortion are routinely denied. Freedom only goes so far with the new right.

The apparent libertarian-authoritarian contradictions pervasive in the new right political economy can be reconciled so long as the political system continues to deteriorate and the "new politics" of apathy, cynicism and disaffection inspired by the new right prevail. For example, while Thatcher's social austerity and retrenchment policies were designed to sever the state from its traditional welfare providing role, as an organic ideology "Thatcherism" could be defended by appealing to popular nationalist sentiments within British political culture. So despite contracting the welfare

⁴⁶ Jesse Helms, cited in Allen Hunter, "The Ideology of the New Right," Crisis in the Public Sector: A Reader, Martha Cameron (ed.), New York: Monthly Review Press, pp. 318.

⁴⁷ Ibid., pp. 327.

state, Thatcher managed to exude a popular image that she was making the British state stronger. The immensely popular Falklands "war" demonstrated to Britons and the world that she would not be pushed around; British values and extra-territorial "rights" would not be compromised. Mythically, her outwardly public "Iron Lady" demeanour personified the popular aspirations of "common" British folk. Mrs. Thatcher in fact became a metaphor for the nation. Her ideological abhorrence to anything "continental" and the "Europe 1992" enterprize, while ultimately costing her job as prime minister, nevertheless appealed to deeply embedded currents of isolationist thought within British political culture. On another level, Thatcher's much-touted provincialism and middle-class roots (Thatcher is the daughter of a milk man), in a perverse way closely parallels the physical embodiment of Gramsci's "new" intellectual, whose political practices would be firmly grounded in the practical real-world experiences and struggle of everyday life: "the mode of being of the new intellectual can no longer consist in eloquence, ... but in active participation in practical life, as constructor, organizer, 'permanent persuader.'"⁴⁸ From a Gramscian perspective, Thatcher, like Reagan, is an organic "intellectual."

The Moral Crusade of the New Right

While much has been written, in the Marxist tradition especially, about the new right's economic and political "revolutions," very little critical attention has focused on Gramsci's "ethico-political" or moral sphere. Indeed, too much political economy writing either marginalizes and/or ignores the spheres of ideology and culture, while over-determining the

⁴⁸ Gramsci, "The Intellectuals," pp. 10.

economic in explanations of socio-historical change. However, from a Gramscian view-point, **the new right is as much an attempt to craft a new moral political-cultural order as it is an attempt to create a new type of political economy.** As first generation spiritual guides of the new right movement, for example, both Thatcher and Reagan vigorously promoted a very specific moral vision of national and international society. For his part in the movement, Reagan's rhetorical railings against the "oppressiveness of bigness," especially big government and big labour (but not big military), and the "excesses of democracy" -- i.e., civil rights, welfare, tolerance -- were relatively successful in drawing the middle [**white male working**] classes of America together in alliance against the extremes from above (bloated bureaucracies, unions, etc.) and from below (the poor, welfare recipients, the indolent, blacks and other minorities, etc.). The rhetorical appeal to fundamental conservative values, free-markets, and anti-communist sentiments sounded particularly responsive chords in middle-class America. The white middling-classes welcomed a leader who would finally champion the cause of the so-called "little guy," but who was also big and strong enough to stand up and do America proud in the insidious battle against the Soviet "evil empire." They supported Reagan's inane, and by all accounts, unattainable, "star wars" initiative on the mythic belief that it is America's historical mission to destroy the world communist movement, and therefore save the world from itself. During Reagan's first term in office, a "second cold war" was vigourously reinstated. Ludicrous "domino theories" were re-contrived by the boys in the Pentagon; only this time the target was Central America. If Nicaragua was allowed to remain communist, so the theory this time went, then the whole region was imperiled by the communist scourge.

In step with the political mood in Washington, popular Hollywood movies like "Red Dawn" and "Rambo" reinforced America's legitimizing myths by constantly portraying dominant themes in American culture including its secular ideology (competitive individualism), civil religion (Judeo-Christianity) and technological superiority (particularly in high-tech weaponry) as man's, God's and capitalism's ways, respectively. Young, white, upwardly mobile professionals and republicans alike felt proud -- instead of guilty -- about instilling a new culture of greed, individualism and rampant consumerism.

In short, the new right "morality" in America was [is] a conscious attempt to remobilize powerful elements within American political culture, and therefore contribute to an internal revitalization of American hegemony in the Gramscian sense:

[T]he virtues of the market, of rugged individualism and the capacity of Americans to use their skills and vitality to reach and to expand the 'highest frontiers' of technological development ... contributed to attempts to reconstruct belief in 'American exceptionalism.'⁴⁹

But, of course, the internal politico-cultural revitalization of American hegemony is subject to the objective constraints and potentialities prevailing in the larger global political economy complex. In relative terms, America's position in the world economy is eroding and questions are beginning to be raised about America's legitimizing beliefs:

Among the difficulties with America's secular legitimating myths is the fact that these myths depend on a certain degree of supremacy in the world. Particularly the pragmatic 'rich-is-right' ideology works only if America can continue to dramatize its wealth and power relative to all other nations in the world community. The capacity to maintain the degree of supremacy has by all indications eroded seriously in the decades since World War II. [...] Gone is the

⁴⁹ Stephen Gill and David Law, The Global Political Economy: Perspectives, Problems and Practices, Baltimore: Johns Hopkins University Press, 1988, pp. 349.

confidence that America can shape the world in its own design. Gone too is the certainty that America can achieve everything it desires within its own borders. And underneath these uncertainties questions have begun to be raised about the myths which U.S. hegemony in the world has been legitimized.⁵⁰

Even America, then, is not immune to the forces prevailing in the global economy.

The Global Economy and the New Right

The rise of the new right, perhaps more than any other single factor, is a response to the rising power and interests of international capital in the global political economy. Increasingly, the progressive internationalization of production and global integration of financial markets [to be discussed in greater detail in Chapter Four] dictate that states must adjust their domestic policies to the exigencies of the world marketplace. In practice, the domestic "adjustment" process means subordinating national regulations to the rules and norms prevailing in a highly integrated global economy. As Philip McMichael and David Myhre argue, the changing nature of international production is irrevocably transforming not only the form of the state, but the very nature of the state system itself:

[T]he transformation of the nation-state and the state system [is] a response to the current crisis of global economy. [T]he transformation expresses a new phase in the political development of capital. Capital is overcoming the constraints of national economic organization, subordinating it to global commodity markets (in producer and consumer goods, money, and sometimes labour) that cross national boundaries. The historical foundations of the nation-state ... are eroding. One consequence is the emerging 'transnational-state,' in which domestic social and political relations are increasingly shaped by global capital circuits.⁵¹

⁵⁰ Robert Wuthnow, "America's Legitimizing Myths: Continuity and Crisis," America's Changing Role in the World-System, pp. 240.

⁵¹ Philip Mc Michael and David Myhre, "Global Regulation vs. the Nation-State: Agro-Food Systems and the New Politics of Capital," Review of Radical Political Economics, 22:1, (Spring 1990), pp. 59.

The progressive "transnationalization" of the global economy has demanded that capitalist leaders redeploy the powers of the nation-state and national economy on an international scale in order to secure market share, and thereby ensure that the state is globally competitive *vis-a-vis* other states. Thus, in the fierce battle to secure investment opportunities and/or maintain a competitive edge in a more diversified and integrated but leaner and meaner business environment, states are compelled, especially in recessionary periods, to provide capital with the most lucrative business climate possible. Among other measures, these investment incentives frequently entail capital gains tax breaks, covering start-up and relocation costs, ensuring a low cost and docile labour force, subsidies, and pollution breaks. In this manner, the "transnational-state" which the new right has engineered, effectively enhances what Stephen Gill and David Law refer to as the "structural power of international capital," so much so in fact that Gill and Law claim that, the "dialectical balance between 'national' and 'transnational' forces appears to have tilted in favour of the latter."⁵² Even the more rhetorically "nationalist" new right regimes, such as the United States under Reagan and Great Britain under Thatcher, have in fact enhanced the power of international capital relative to national capital and organized labour by privatizing and/or deregulating key national industries, especially in banking. (For her part, Thatcher denounced national industries as "socialist.") Thus, in the words of Manfred Bienefeld, the "transnational-state" has become the "executive committee for the facilitation of

⁵² Stephen Gill and David Law, "Global Hegemony and the Structural Power of Capital," *International Studies Quarterly*, 33:4, (December 1989), pp. 493.

international capital," as the state plays an intermediary brokering role between international capital and labour.

Leading this emerging "transnational-state," of course, is the new right. The creation of this type of "hyper-liberal" state (and state system) has demanded the dismantling of national barriers to investment and trade. In practice, dismantling national trade and investment barriers means dismantling the national welfare state and reinstating a self-regulating market order over a Keynesian regulated one. In practice, it means that people must submit themselves for "adjustment" to the market, not vice-versa. It means disciplinarian neo-liberalism.

The New Right's Attack on the Welfare State

In general, neo-conservative politicians and neo-liberal economic policy favour initiatives that would substantially reduce both the size and scope of government involvement in the private capitalist economy. Since the private market is purported to be a more efficient allocator of goods and services than is the state, the obvious political "solution" to present economic difficulties is to get government out of the marketplace. The economist Norman Ture provides a useful summary of neo-conservative policy objectives:

The conservative's basic policy objective is to improve the efficiency of market performance. For the most part, the conservative identifies the impediment to efficient market performance as one or another government intrusion, whether in the form of purchases of goods and services, transfer payments, regulations, tax laws, or monetary actions. Virtually all of these intrusions can be expressed in terms of ... the way in which they distort the relative costs and prices that would otherwise prevail. **Good public economic policy calls for reducing the government's presence in the private marketplace, for correcting the relative**

price and cost distortions that government actions and policies entail.⁵³
[emphasis added]

In the conservative's opinion, therefore, "there is nothing wrong ... that a dose of smaller and less intrusive government would not cure."⁵⁴ Accordingly, a good healthy dose of the market is prescribed as a panacea for everything that ails today's troubled economies.

In accordance with the policy objectives of neo-conservatism, the political platform of the right has been primarily aimed at dismantling the Keynesian welfare state, whether in the North or the South. For the assault against state capitalism, the right's intellectuals have had to develop a more convincing, but not necessarily more sophisticated, rigorous or coherent economic theory, than Keynesianism.

In their ideological battle to publicly discredit Keynesianism, the "new economists" have tenaciously seized on to the other half of the economic equation which Keynes is rebuked for having overlooked -- the **supply-side**. The "theory" behind "supply-side" (or monetarist) economics is crude, but simple. Monetarists contend that the only macroeconomic policy that will yield consistent results is one that is based on a slow, steady and predictable growth of the quantity of the money supply. In contrast to Keynesian demand-side economics, "supply-siders" place an explicit and renewed emphasis on money quantity. Since inflation is thought to be caused by "excessive" increases in money supply and wages -- leading in tandem to higher prices (i.e., inflation) -- the new economics relies heavily on monetary and fiscal policies that will, in theory, "squeeze" inflationary demand

⁵³ Norman B. Ture, "Keynes's Influence on Public Policy: A Conservative's View," pp. 52-53.

⁵⁴ Milton Friedman, Politics and Tyranny: Lessons in Pursuit of Freedom, San Francisco: Pacific Institute for Public Policy Research, 1984, pp. 36.

pressures out of the system. Theoretically, by tightly curbing the money supply, keeping interest rates high, reducing public spending and holding down wages, inflation will be checked, and, eventually, market-determined prices restored. The monetarist orthodoxy maintains, therefore, that by prudently controlling the supply of inputs into the system, especially the quantity of money issued, the economy will be placed on a new -- albeit transformed -- growth path. Thus, the best anti-inflationary medicine for today's troubled economy is one that encourages government fiscal restraint -- i.e., one that adopts a painful disinflation approach. Consequently, public government spending during a recession -- once the orthodox Keynesian approach for creating employment and stimulating demand in an economic downturn -- is generally frowned upon by the monetarist orthodoxy.⁵⁵

In refining classical economic theory and by placing a more explicit emphasis on the supply-side of the capitalist economic equation, the monetarists have created the proper ideological climate and defense necessary for capital's offensive against the Keynesian welfare state. Monetarist disinflationary policies, which are designed to contract economic activity and to trench the welfare state, also speak in particularly appealing terms to "profit-squeezed" businesses. In their efforts to "rationalize," "down-size" and "restructure" industry -- capital's euphemisms for firing workers -- leaders of the corporate world demand that state spending on welfare

⁵⁵ Bob Rae's Ontario New Democratic Party, for instance, recently felt the full wrath -- and power -- of the business and federal political communities when his party tried to introduce an orthodox Keynesian plan aimed at reinvigorating an ailing Ontario economy in January 1992. Immediately after Rae announced that he would be increasing Ontario's deficit by some \$8 billion in order to fight the recession, Ontario's credit rating plummeted, provoking business rebuke and federal conservative ridicule of Rae's Keynesian plan. In obvious disgust, Rae drew up his hands and exclaimed in January 17th's Globe and Mail, "so much for Keynes!" [Rae's social democratic party is now, like every one else, embarking on a "bold new plan" to reduce the deficit.]

programs and government regulation (including taxation) of business be scaled back and/or relaxed in order to re-focus attention on the profitability of business in economic crisis. Attacking the state, particularly the unresponsive bureaucracies of government, has been a crucial weapon for capital in eroding support for the regulatory and social-wage elements of the Keynesian welfare state.

The new right (and big business) believe that economic revitalization requires a cutback on state services, curtailing government regulation of business and a return to a conservative work ethic. Allen Hunter explains:

In their arguments for increasing worker productivity, many of the new right's social and economic views connect. Many conservatives ... argue that a welfare system that supports those who do not work fails to provide the coercive incentives that 'encourage' worker productivity. They are convinced that revitalizing the market and worker productivity requires a renewed cultural emphasis on self-restraint and hard work, tax incentives for capital, and a relaxation of environmental, health and safety regulations.⁵⁶

To aid in the assault against the welfare state, socially conservative intellectuals frequently portray welfare recipients as lazy, indolent and opportunistic. William Rusher comments,

The economic conservative is dedicated to the proposition that energies of men are the root source of all real wealth, and hence that work is one of society's highest values. But the social conservative, too, is a believer in the virtue and value of work. He is no free-loader; on the contrary he is inclined to be contemptuous, if not downright resentful, of social parasites who make a career out of government money -- be they welfare payments or academic grants.⁵⁷

Keynesian welfare economics, which in the past has offered some limited protection to the under-classes from the worst deprivations of capital, is now considered as an "abuse of democracy" by the right's intelligentsia. The right's intellectuals assert that the market mechanism has "magical"

⁵⁶ Allen Hunter, "The Ideology of the New Right," pp. 310.

⁵⁷ William Rusher cited in Allen Hunter's, "The Ideology of the New Right," pp. 317.

powers, which allows it to socially allocate goods and services in a more rational, cost-effective and efficacious manner than the state. In this view, the "impartial rationality" of the competitive market mechanism is believed to ensure that those persons who take risks, those who work hard and those who invest skillfully in their own human capital will be judiciously rewarded. Indeed, the great fecundity of the "impersonal" free-market economy is that all persons irrespective of race, skin colour, gender, sexual orientation, ethnicity, class or linguistic background can compete on an equal non-discriminatory basis. The market system is thus "presented as a neutral entity, a mode of human interaction that, like the family, is God-given and outside history."⁵⁸ In the view of the neo-conservative, the market is society's "great leveler." If everyone is created equal in the eyes of the benevolent market, then there is little need for welfare programs which advantage one social group at the expense of all others.⁵⁹ Besides, the right's intellectuals tells us, in these hard economic times we can no longer afford "costly" welfare programs.

In the final reckoning, the right's intellectuals blame not the individual for taking advantage of the welfare system, but the state for providing welfare services in the first place:

The right opposes functions of the state that it views as hostile to market forces. [...] In destroying the market incentive among workers, and capitalists alike, the state has suppressed the dynamism of the economy, stifled the development of the nation's riches, rewarded the indolent, and punished the industrious. The state alone is blamed for inflation (monetary and fiscal policies), collapse of the work ethic and productivity (welfare policies that

⁵⁸ Allen Hunter, "The Ideology of the New Right," pp. 319.

⁵⁹ Of course, what never fails to elude those who advocate the "fecundity" of the market is that capitalism's systemic racist, patriarchal and class differentiated biases effectively deny any notion that all peoples in all places are created "equal" in the eyes of the market. Some people [e.g. white, affluent, Anglo-Saxon males] are created more equal than others.

reward the unproductive), and the decline of industrial efficiency (over-regulation by government). [T]he welfare state is charged with interfering in the private lives of 'the people.' It has taken away from people the right and ability to regulate their own lives, the socialization of their children, the integrity of the educational process, the stability of the traditional nuclear family. The state has forced on people undesired social changes.⁶⁰

On the ideological front, then, the various new right experiments have rigorously mounted a campaign denouncing any type of state interference in the marketplace as an unwarranted "intrusion" into the private lives of its citizenry.

The new right attempts to achieve its goals of contracting the Keynesian welfare state, relaxing government regulation of business and reducing the social wage through a battery of privatization, deregulation, desocialization and desubsidization policy initiatives. Invariably, these initiatives designed to contract the welfare state are defended on one of three inter-related neo-liberal principles: i) that state regulatory mechanisms impede, and therefore distort, the natural functioning of the market order; ii) that competition provides the most beneficial social outcome and iii) that government intervention restricts individual freedom. Thus, the new right's attack on the welfare state, as Allen Hunter describes, combines the intellectual coherency and rigour of the cultural and economic concerns of the social conservative:

[T]he [new right] opposes the liberalism of the welfare state, which they associate with collectivism. They attack state interventionism as inconsistent with those principles of classic liberalism that they do accept, and as subversive of capitalist and traditional social relations. [...] They argue that welfare liberalism is replacing equality of opportunity with equality of outcome. It [the welfare state] is thereby interfering with economic and ethical features of the market in the name of a specious egalitarianism.⁶¹

⁶⁰ Allen Hunter, "The Ideology of the New Right," pp. 325.

⁶¹ Ibid., pp. 324.

The Moralistic Defense of Neo-Liberalism

The new right's intelligentsia primarily defends its demand that government "get out of the marketplace" (and out of the welfare business too) on dubious moralistic grounds that government interventionism restricts the pursuit of individual freedom. At the very core of the right's intellectual's defense of non-interventionism is precisely the paradoxical question of what the new right's organic intellectuals mean by "liberalism." In tracing the intellectual roots of modern liberalism to the moral political philosophers of the nineteenth century, Hayek maintains that the "liberal demand for freedom is ... a demand for the removal of all man-made obstacles to individual efforts, not a claim that the community or the state should supply particular goods."⁶² In this contorted reckoning, **neo-liberalism is thus defined as an absence or relative lack of government involvement in the private market economy.** Characterized such, "the [free] market order ... is [therefore] the foundation of a liberal system."⁶³

For the right's intelligentsia, a liberal capitalist order is to be juxtaposed against, and differentiated from, a totalitarian order (e.g., communism). In a totalitarian order, government monopolizes all economic activity, and, therefore, totalitarian regimes restrict personal freedoms. These individual freedoms of a "liberal" capitalist order -- i.e., freedom of speech, freedom of political association, freedom of press and freedom from arbitrary coercion -- are thus contrived by the right to emanate naturally from a free-market capitalist economy. In other words, an individual's "freedom to choose" in the economy necessarily ensures personal freedoms which are usually

⁶² Hayek, New Studies, pp. 134.

⁶³ *Ibid.*, pp. 147.

associated with "liberal" capitalist democracy. Therefore, arguing on classical nineteenth century philosophical and moral grounds, new [authoritarian] right politicians can incredulously contend that they are "liberals" because they are ideologically opposed to government interventionism, which is believed to threaten the preservation of freedom!

The New Right as a "Fraudulent Hegemony"

Despite the right's rhetorical ethical and moral appeals favouring a minimalist state, in many key sectors the state under the new right has become bigger not smaller, stronger not weaker, and certainly more active in economic affairs than ever before. Thus, while the underlying political objective of neo-conservative economic policy is arguably to reduce the role of the state in the private capitalist economy, **the "successful" policy implementation of neo-liberalism actually requires the very heavy hand of the state.** In fact, even as the various new right experiments busy themselves privatizing, deregulating, desubsidizing and desocializing the Keynesian welfare state, the state has paradoxically become omnipresent:

... despite the ideological implications of the discourse of anti-statism, the [new right's] state is a strong state whose intervention penetrates society deeply. The decentralization and flexibilization of state apparatuses and enhanced repressive regulation appear as a further move of the state into society in all its ramifications. The [new right] promotes a far more intensified stratification of society.⁶⁴

It is ironic indeed that in the austere 1980s, contraction of the welfare state has involved alarming cutbacks in virtually all the social services formally ensured by the state, including health and education, while the state's

⁶⁴ Werner Bonefeld, "Reformulation of State Theory," Capital and Class, 33, (Winter 1987), pp. 120.

coercive and legislative branches -- i.e., military, courts, judiciary, police, etc. -- have remained more or less in tact.

The seeming contradiction between neo-liberal theory on the one hand -- which demands that the state get out of the private marketplace -- and neo-conservative practice on the other -- which brings the state back in all its coercive ramifications -- is in reality perfectly consistent with the established theoretical defects in classic liberalism theory. As Gramsci tells us, classical liberal political economy, associated with Adam Smith, David Ricardo, John Stuart Mill, among others, assumes that there is a fundamental distribution of economic and political powers which clearly distinguish civil society (economic) as separate from state society (political). In reality, as Gramsci makes clear, political and civil society cannot be separated; the spheres of force and consent are inextricably interwoven:

The ideas of the Free Trade movement are based on a theoretical error whose practical origin is not hard to identify; they are based on a distinction between political society and civil society... Thus it is asserted that economic activity belongs to civil society, and that the State must not intervene to regulate it. But since in actual reality civil society and State are one and the same, it must be made clear that *laissez-faire* is a form of State 'regulation', introduced and maintained by legislative and coercive means. It is a deliberate policy, conscious of its own ends... Consequently, *laissez-faire* liberalism is a political programme, designed to change -- in so far as it is victorious -- a State's leading personnel, and to change the economic programme of the State itself -- in other words the distribution of the national income.⁶⁵ [emphasis added]

Thus, as Gramsci would have been led to expect, the implementation of the neo-liberal **corporate** agenda necessarily involves strong state regulation -- and coercion -- as national income is redistributed via free trade, privatization, deregulation, etc., to the upper echelons of the private ruling class. Consequently, neo-liberalism, in its present form anyway, undeniably

⁶⁵ Gramsci, "The Modern Prince," pp. 160.

requires the social authoritarian politics of neo-conservatism in order to "successfully" implement the repressive logistics of an economic programme which is designed to reassert the power of capital, especially international capital, over national citizenries and labour. In my opinion, this point about neo-liberalism cannot be emphasized enough.

In point of fact, then, "neo-liberalism" is an intensely **conservative** political economic philosophy. It is conservative not only because its proponents favour further strengthening the existing [status quo] structures and mechanisms of bourgeois social and political control [i.e. the capitalist private market]. But also conservative because to re-instate a self-regulating market order over a Keynesian interventionist one -- which is arguably what the new right intellectual and political counter-revolution is all about -- requires a strong, capable and authoritarian political medium. The fact that human beings are forced to "adjust" (against their will in most cases) to the dictates of an increasingly inflexible international marketplace is proof of the conservatism (not to mention brutality) of disciplinarian neo-liberalism.

From a Gramscian perspective, the political right's reliance on coercion to implement its economic programme underscores the fragility -- and bankruptcy -- of neo-liberal market hegemony. As Gramsci notes, "between consent and force stands corruption/fraud (which is characteristic of certain situations when it is hard to exercise the hegemonic function)...[T]he exercise of hegemony [becomes] permanently difficult and aleatory."⁶⁶ Using Gramsci's criteria, the new right is a "fraudulent hegemony" because consensus, central to the exercise of legitimate rule, has broken down. Especially since the Persian Gulf War, (but also apparent in US military

⁶⁶ Gramsci, "Notes on Italian History," pp. 80.

interventions in Grenada, Nicaragua and Panama) the coercive and corrupt aspects of new right rule have come increasingly and predominantly to the fore. While it is certainly true that there is an emerging world-wide "market consensus" in the "new world order," in the final analysis **this evolving order has been, and will continue to be in the future, premised on and guaranteed by the preponderant power of the state, not the market.** The politics of the new right are definitely less consensual today than in the post-1945 corporatist Keynesian era.

Reorganizing Production, Reorganizing Consent in a "Post-Fordist" Era

The new right's attempt to reorganize mass consent around a fundamentally transmuted economic nucleus signifies a thorough break from the corporatist Keynesian past. In the classical "Fordist" era, which was just beginning to make its appearance in America in Gramsci's day, capitalism's business and political leaders attempted to organize worker consent around national production through a blending of force and persuasion. As Gramsci saw it then, Henry Ford's "revolutionary" social experiments in labour discipline (eg., controlling the moral lives of his workers through sexual and alcohol abstinence) and industrial rationalization efforts (eg., introduction of moving assembly-line production) were perceived as an attempt

to rationalize production and labour by a skilful combination of force ... and persuasion thus making the whole life of the nation revolve around production. Hegemony here is born in the factory.⁶⁷

Gramsci maintained that "in America [industrial] rationalization has determined the need to elaborate a new type of man suited to the new type of

⁶⁷ Gramsci, "Americanism and Fordism," pp. 285.

work and productive process,"⁶⁸ and thus, "Americanization requires a particular environment, a particular social structure ... and a certain type of State."⁶⁹ In crude terms, Gramsci's "new type of man" would become the industrial proletariat; the "new type of work" assembly-line based; and the "certain type of state" was the Keynesian welfare state.

Gramsci's prison notes on "Americanism and Fordism" prefigure the rise of a social structure of capitalist accumulation and regulation which would provide the basis for the global organization of consent in the post-World War II era. It is precisely the hegemonic crisis and dissolution of this post-1945 "Fordist" social bloc which we are presently experiencing. The economic, social and technical limits of Fordism have been reached; the Fordist model, seen as a regime of capitalist production, accumulation and regulation, has been exhausted, (except perhaps in the socially rigid political economies of Taiwan and South Korea). In this context, the rise of the new right political economy perspective in the North can be viewed as an attempt to create a new, "post-Fordist" model of global capitalist accumulation and social regulation. Consequently, the social bargain struck between capital, labour and the welfare state in the post-war era -- higher wages for increases in productivity -- is being nullified by the new right's counter-revolution. With the rise of the new right, we are in fact witnessing the "rupture of the Keynesian compromise" as the various new right experiments attempt to free

⁶⁸ Gramsci, "Americanism and Fordism", pp. 286.

⁶⁹ Ibid., pp. 293.

"accumulation from the fetters of democracy."⁷⁰ Paraphrasing Gramsci, the old capitalist order is dying and the new is struggling to be born.

Since the end of World War II, the evolution of the world economy has involved a gradual sectorial shift away from traditional "Fordist" mass-production assembly-line based manufacturing towards more knowledge-intensive and service-oriented industrial systems and technologies. Just a few decades ago, the "leading" dynamic sectors in the economy were housing, automobiles and durable consumer goods. Based on recent trends, however, the four "engines of growth" in the "advanced" market economies are likely to be: computers and semiconductors (eg. software, electronic components, information services); instrumentation (eg. engineering and scientific instruments, including environmental and pollution monitoring equipment); health and medical (eg. medical care, bio-technology products, medicines and drugs); and communications and telecommunications (eg. radio and microwave technologies, entertainment, high-tech military missile guidance systems and civilian aero-space technologies).⁷¹

The gradual eclipse of traditional mass-production industries by the new "engines of growth," as well as the introduction of revolutionary technological processes into the workplace over the past two decades, have radically transformed the way work is organized at the shop-floor level. To stay globally competitive, and in order to meet more diversified product demand, today's capitalists increasingly need not only more flexible and efficient machines, but also more flexible and efficient workers. Accordingly,

⁷⁰ William Carroll, "Restructuring Capital, Reorganizing Consent: Gramsci, Political Economy, and Canada," The Canadian Review of Sociology and Anthropology, 27:3, (August 1990), pp. 395.

⁷¹ See, Globe and Mail, "Tilting At Smokestacks," July 20, 1991, pp. B18.

the methods of doing work are being radically restructured, in most cases involving a shift away from Fordism's traditionally rigid mass-production line techniques to more decentralized, autonomous and flexible "team-oriented" production approaches. Thus, in contrast to Fordism's blatant "*de-skilling*" of the labour process through patterning assembly-line type jobs which are monotonous, repetitive, socially and psychologically alienating contemporary high-tech production requires that workers be highly technically-skilled and involved in all aspects of production, from initial conception through to final execution. As Robert Cox contends, "the reunification of conception and execution that had been severed by Fordism ... do seem to herald the end of Fordism that had been the industrial dynamic throughout most of the twentieth century."⁷²

While some "revisionist" political economists see potentially human emancipatory elements in the technological dynamics propelling the new industries of the 1990s, there is also no denying the fact that contemporary industrial restructuring efforts are capital's response to declining productivity and falling rates of profit across nearly all sectors of economic activity. In the new high-tech industries, for instance, through various profit-sharing and so-called "job-enrichment" schemes including, "Quality Circles," job-rotation, "Just-On-Time" production and so forth, the "post-Fordist" worker has been encouraged to identify his/her interests with that of their employer's rather than traditional forms of union solidarity. Furthermore, the fastest growing sector in the contemporary world economy -- the service sector -- which in 1987 accounted for 57% of total global economic activity, continues in the

⁷² Robert Cox, Production, Power and World Order: Social Forces in the Making of History, New York: Columbia University Press, 1987, pp. 345.

classic Fordist tradition of patterning jobs which are virtually devoid of any intellectual or individual artisan creativity. However, unlike the jobs in the classical Fordist era, employment in today's service industry tends to be pathetically unorganized, improperly regulated and poorly remunerated. These tendencies, in conjunction with business's preference for hiring part-time, casual and/or "cost-free" forms of labour,⁷³ as well as the progressive feminization of the work-place and escalation of double-waged families, have had the double effect of depressing real wages while maintaining an "adequate" profit level for "squeezed" businesses.

In "new" capital's stepped-up assault against labour via industrial "restructuring" initiatives, unions have been identified by the counter-revolutionaries as public enemy "number one," feared not only by the bosses, but by the workers themselves. Unions are criticized for demanding too much, wanting too much or simply for being just downright selfish. In fact, it has been traditionally highly-paid and highly-organized forms of labour which have born the brunt of the counter-revolution's assault. At the firm level, threats of disinvestment, relocation, closedown and dismissal are important weapons in capital's aggressive assault on labour. At the point of production, on the other hand, workers have been encouraged (coerced?) to share in the "sacrifice" today for a greater and more prosperous tomorrow. In a desperate attempt to save their own job, many working-class people today will support freezes or cutbacks in their own wages. A noxious consensus has developed among working people generally that state social services -- the

⁷³ "Cost-free" labour is that component of labour power which the employer receives free of charge from the worker. The reproduction of labour power is becoming more and more the responsibility of the family in the economic crisis since employers are providing relatively less "fringe" benefits (eg., health care insurance, clothing and housing allowances, unemployment or pension benefits, etc.,) to their workers. The "social-wage" is thus declining.

very same services which the labour movement won through bitter struggles with capital in the post-war era -- should be pared back in order to bring huge government deficits and inflation back under control. Workers are told by government leaders that the country's public debt jeopardizes their children's future -- and they believe it. Workers are encouraged to accept "voluntary" cuts in their pay -- and they do. Workers are asked to tighten their belts and act fiscally conservative and things will get better -- but they never do. Meantime, governments everywhere effectively absolve themselves from any social responsibility of providing for their citizens welfare by citing two innocuous yet somehow sinister global bogeymen -- the international competition and indebtedness. The blame for economic woe is always directed outward, never inward.

It is not surprising to find, then, given capital's and the right's ideological offensives, that union membership and its historical correlate -- the labour political movement -- are precipitously declining in nearly every industrialized democracy. By fragmenting the working-class movement through breaking labour's collective bargaining and resistance power, and also by reorganizing consent around the new industries, the hegemony (albeit "fraudulent") of the new right is being constructed. Consequently, the social forces unleashed by the new right are in ascendance, while the Keynesian welfare state and its labour correlate are on the defensive. Everywhere, in fact, the left is in global retreat suffering from acute intellectual and political sclerosis.

Conclusion to the Political Economy of the New Right

If the strong integrative capitalist ideology of the post-war era was Keynesianism, then the contemporary integrative ideology is monetarism.

From a Gramscian perspective, monetarist dominance demonstrates that the new right's organic intellectuals have successfully triumphed over the traditional orthodoxy of the Keynesian state managers; the monetarists Friedman and Hayek have won the all-important "battle of the ideas" against the high-priests of Keynesian orthodoxy. As an ideology and as a state economic policy, Keynesianism has been completely discredited by the right's intellectuals. As testament to this fact, a 10% unemployment rate in the industrial democracies, unthinkable just a couple of decades ago, is now considered normal, and indeed, "natural" for a properly functioning economy. "Full employment," except to be criticized, is a slogan rarely uttered in public places anymore. Monetarist supply-side "wars" are now waged on all levels of economic and political policy decision-making, and against everything from inflation, to poverty, to even most incredibly, drugs. The "common-sense" of not spending more than you have prevails, and intervention in the economy is now regarded as taboo by the prevailing orthodoxy. Keynes is dead and the Mulroney, Bush, Major et. al. entourage is now considered advised.

IV. The Retreat of the Intellectuals

The old intellectual and moral leaders of society feel the ground slipping from under their feet ... for the particular form of civilization, culture and morality which they represented is decomposing. [Antonio Gramsci]⁷⁴

The rightward realignment of the global political economy in the past decade and a half has been accompanied by a similar gravitation to the right by many leftist intellectuals, labour political parties and formerly communist-controlled societies. The world-wide decline of the working-class movement

⁷⁴ Gramsci, "State and Civil Society," pp. 242.

and the Keynesian welfare state, coupled with the collapse of East European and Soviet [centrally-planned] communism and the rising power of international capital in the 1980s, have precipitated a profound leftist intellectual and praxis crisis. Regrettably for the left only China, Cuba and a few other "hold-outs" still espouse in the early 1990s to follow principles of a socialist creed, however defined or defended in theory and/or practice.

There is little doubt that many on the left were caught totally unprepared by the "revolutionary" onslaught of the right's global offensive in the 80s:

The left had settled for Keynesian solutions even though it thought them inadequate. It had concentrated on reforms and expansion of welfare systems. It had not anticipated the impact of restructuring, and it had not developed an international strategy to cope with massive social change. Now it found itself on the defensive, trying to save the remnants of the welfare state. **For the first time since the war, the left appeared to be the defender of tradition and the right appeared radical and innovative.**⁷⁵ [emphasis added]

As Marchak argues, unable to counter the new right's restructuring project either intellectually or practically, a disoriented left was left "to defend the welfare state and try to make public the flaws in the new right's agenda."⁷⁶ The left's contemporary defense of the welfare state is extremely ironic given that just over a decade or so ago the left was vehemently attacking what today they so vehemently defend:

Less than a decade ago the parameters of discussion of the world economy would have been different. It would have been necessary [for the left] to make a critique of the still influential Keynesian paradigm, and there were general illusions about the potential for socialist parties to effect radical change. ... [But] the orthodox capitalist ideology is now so pervasive that few people any longer even conceive of other than a capitalist future, including branches of the socialist parties and many in those nations that call themselves socialist.⁷⁷

⁷⁵ Marchak, The Integrated Circus, pp. 258.

⁷⁶ Ibid., pp. 115.

⁷⁷ Joyce Kolko, Restructuring the World Economy, pp. 349.

The right's global neutralization of its political opponents (traditional and non-traditional) would suggest that the its intellectual and political control now runs very deep -- so deep in fact that it has prompted a paralysis in nearly all non-conformist modes of critical thinking and praxis. As a matter of fact, neo-liberal market hegemony closely approximates Stephen Lukes's portrayal of the deepest level of power -- the third dimensional level. According to Lukes's Power: A Radical View, the third dimensional level of power is the most "effective and insidious use of power" because, unlike the first two levels where conflict is both overt and pervasive, in the third level, societal conflict is effectively prevented from arising in the first place. Hence for Lukes, "the proper object of investigation [of third level power] is not political activity but political inactivity."⁷⁸ The political inactivity of the left would indeed suggest that market hegemony has reached Lukes's deepest, most insidious use of power.

The left cannot be totally exculpated from helping to contribute to its own demise. Much of the blame for the present dislocation in leftist intellectual thought and political culture lies precisely in the left's inability to anticipate, and therefore prepare, its own defences for capital's onslaught in the 1980s. Although monetarists were largely out of sight before the rise of Reagan and Thatcher, as Marc Blecher notes from Gramsci, "the struggle to erect a counter-hegemony is an extremely difficult, complex and time-consuming affair during which **one must expect the unexpected**"⁷⁹ [emphasis added].

⁷⁸ Stephen Lukes, Power: A Radical View, New York: MacMillan, pp. 21.

⁷⁹ Marc Blecher, "China's Struggle for a New Hegemony," Socialist Review, 19:2, (April-June 1989), pp. 13.

The lack of foresight on the left's behalf, I would suggest, is rooted in the pervasive and crippling economism which has dominated leftist political praxis and analysis for the past seventy-five years. The left's heroic industrial [white male] working-class as saviour of revolutionary Stalinist Marxism has proven a historic dead end. It will have to be thoroughly discarded if the left is to regain some political respectability. Furthermore, the idea that the ultimate goal of the socialist enterprise is to capture **national** state power has been thoroughly compromised in an era of truly **transnational** capitalism. What the 1989 "revolutions" in Eastern Europe and the Soviet Union highlight, in fact, is Gramsci's great insight that hegemony cannot be imposed on civil society, but must grow organically from it. The Gramscian project of constructing a new hegemony is not about constructing a new state. Rather, it is all about constructing a new intellectual, cultural and moral order. The left has much to learn from Gramsci and much to unlearn about Stalinism.

But what is perhaps even more astounding than the lack of the left's foresight is the fact that many of its members are now retreating precisely at the moment when their critical voice and politics are most urgently needed. James Petras, one Marxist scholar who still remains true to his colours contends:

The world-wide retreat of the intellectuals is intimately related to the declining power of the working class movement and the rising power of capital - in the cultural as well as economic sphere. Intellectuals are very sensitive to changes in power. [...] The fundamental paradox of our time, however, is that the tilts in power are not accompanied by the consolidation and expansion of capitalist economic and social systems: the fragility of western economies, the disintegration of the inner cities, the volatility of the financial markets, the polarization of classes and regions of the world economy, the destruction of the

environment all speak to the failure of capitalism to solve any of the basic problems posed by Marxism.⁸⁰

James Petras's "lament" illustrates Gramsci's assertion that intellectuals are **not** a social category independent of class; intellectuals are, rather, very susceptible to changes in power. Intellectuals, in fact, remain a decisive force behind the legitimation (or delegitimization) of political institutions. Unfortunately, however, at this particular conjuncture more intellectuals seem to be employed in serving the status quo than subjecting it to critical scrutiny.

But it is not just leftist intellectuals and labour who have been succumbing to the rising power of capital. In fact, nowhere is the gravitation from left to right more astounding (or contradictory) than in the [former] Soviet Union. The collapse and disintegration of Czarist Russia has been heralded by many capitalist ideologues as a triumph of western liberal democratic politics, western ideas [and ideals] and above all, as a triumph of western [market] economic principles and practices. Capitalist apologists have claimed to have won the historic struggle against the very idea of communism: the "end of history" and "the end of ideology" are widely proclaimed as Marxist Socialism, not Bourgeois Capitalism, is consigned to the dustbin of history.

While these ideological pronouncements appear rather forced -- if not premature, historically ignorant and greatly exaggerated⁸¹ -- they are

⁸⁰ James Petras, "The Retreat of the Intellectuals," Economic and Political Weekly, 35:38, (September 22, 1990), pp. 2155.

⁸¹ Anthony Arblaster observes: "It is possible to argue, and it is now being argued, that the entire Bolshevik-Communist project or experiment was an historical blind alley or mistake; and that particular strategy for socialism is now finally discredited and destroyed. But it is a vast leap, conceptually and historically, to move from that specific conclusion to the far more sweeping assertion that socialism itself, the idea and the ideal, is now dead, finished, and

nonetheless 'vindicated' by the uncritical and hasty acceptance by Soviet and East European advocates of market "reform." In their frenzied drive to become more like the West, "radical" market reformers have rightly shunted one form of domination only to replace it with another. Like the communist system before it, the "liberalization" of prices -- generally involving **higher** costs -- are autocratically decreed from above. Furthermore, there appears to be little recognition of the fact in the newly established Soviet Republics, that markets do not work "magically," or for that matter, rationally, and that they cannot be constructed overnight. The West's much-envied "liberal democracies" are the product of decades, in some cases, centuries of struggle and political accommodation between capital, labour and the state. Yet the kind of capitalism now being introduced in the East (not to mention the South), typically involving painful monetarist economic "shock" therapy, is raw, punitive and primitive by any stretch of the feebled imagination. If there is such a thing as a Fascist "counter-revolution," then it may well have reached an apex in the free-market decrees of Boris Yeltsin. In their present head-long rush to embrace the virtues of an illusory self-regulating market economy, it would bode the reformers well in the former Soviet Union and Eastern Europe to heed Polanyi's imploring warning in the Great Transformation where he cautions that the market may be a wonderful servant, but it is all too often a cruel and unforgiving master.

With nearly all other socio-economic alternatives exhausted, neo-liberal hegemony is being constructed and premised on a "no alternative" to capitalism ticket. Thus, for example, the International Monetary Fund and

buried under the rubble of Eastern Europe." See Anthony Arblaster, "The Death of Socialism -- Again," The Political Quarterly, 62:1, (January-March 1991), pp. 48.

World Bank's structural adjustment programme, which in essence is the reassertion of capital over labour, has been presented to debt-ravaged Third World political economies by Northern debt collectors precisely on the ground that there is no alternative but for Third World countries to adjust to the dictates of the "magical" international market-place. Global market discipline is replacing Keynesian compromise.

V. The End of Development

The fundamental problem of the lesser developed countries is that they have been centrally governmentally directed, controlled, and regulated societies. [Milton Friedman]⁸²

The seeming death of the development debate in the industrial world represents an enormous travesty. [Robin Broad et. al.]⁸³

The countries and peoples in the developing world have not been spared the effects of the counter-revolutionary's intellectual and political assault. Arguably, nowhere have the neo-classical ideas of rightist intellectuals been more zealously or more rigourously applied than in the developing world. Consequently, the critical North-South development debate in the industrialized world has been stifled as "adjustment" replaced development in the 1980s. The Third World Structural Adjustment Programme is quite possibly the crowning achievement of the reckless neo-liberal enterprize.

⁸² Milton Friedman, Politics and Tyranny, pp. 37.

⁸³ Robin Broad et. al., "Development: The Market Is Not Enough," Foreign Policy, 81, (Winter 1990-91), pp. 162.

The Structural Adjustment Programme

The Structural Adjustment Programme (or SAP) refers to a prescribed package of economic stabilization and austerity measures carried out under the auspices of the International Monetary Fund (IMF) and its collaborating Washington-based institution, the World Bank. According to the Bank and Fund, the programme has both short and long-term objectives. In the short-term, structural adjustment is designed to aid severely "debt-distressed" political economies stabilize their balance of payment problems. In the longer-term, structural adjustment seeks to re-integrate adjusting Third World states into a more favourable position in the international division of labour by reviving export commodity production.

In essence, the Bank and Fund's SAP programme is a reflection of the dominance of the neo-classical or "neo-liberal model" of development. While the programme has evolved over the course of the 1980s and 90s, the principal components or "conditions" of the programme invariably contain the following broad set of neo-liberal theoretical and policy initiatives, first identified in the World Bank's 1981 report entitled, Accelerated Development in Sub-Saharan Africa: An Agenda for Action.⁸⁴

Currency Devaluation: According to the Bank and Fund, overvalued exchange rates have resulted in Third World trade regimes which are biased against exports. The prescriptive measure advocated to restore a balance

⁸⁴ The 1981 "Berg" Report (after the name of its author) can be viewed as the vanguard document guiding the new right's official "adjustment" policy for Third World development. The Berg Report identified a series of domestic factors supposedly contributing to festering underdevelopment in the Africa. Highlighted in the Berg Report's explanation of Third World underdevelopment are: i) implementation of "misguided" macroeconomic policies; ii) "inefficiency" in resource utilization; iii) "overinvolvement" of the state in the economy and iv) "malignant" and "endemic" corruption and abuse of political power. The Berg Report was thus the new right's original intellectual synthesis and catalyst of a pro-market movement in the development orthodoxy, which since has been identified as the "Washington consensus."

against exports. The prescriptive measures advocated to restore a balance between exports and imports and also to stabilize short-term balance of payment problems typically involves some sort of monetarist "shock therapy," usually including massive currency devaluations (sometimes in the order of 100% or more).

Restoration of Market Mechanisms: The prevailing orthodoxy maintains that overinvolvement of the state in the economy (both public and private) has resulted in the market receiving "distorted" signals. Among other things, the state's distortion of market signals has been implicated in contributing to persistent government deficits; overvalued exchange rates; biased trade regimes; excessive reliance on foreign borrowing and inefficiency of production. Accordingly, to send the "correct" market-determined signals (ie. "get prices right"), the state must get out, or significantly reduce, its role in the marketplace. Prescriptive measures designed to elicit that desired effect typically include a comprehensive conditionality package consisting of trade liberalizations, phasing out of tariffs and government subsidies.

Demand Management Measures: Demand management measures are designed to deflate domestic demand in order to control inflation which, in some countries, is running at well over 100%. In monetarist theory, deliberately engineering a contraction of domestic economic activity will lead to lower rates of inflation. Invariably austerity measures are part of the demand management package. Typically, austerity measures include: freezing or reducing wages; public service retrenchment; drastic cutbacks in state expenditures, including social welfare and public infrastructural schemes.

Privatization: Nearly all SAPs call for some privatization of "inefficient" state run industries. The principal rationale behind privatization is that the private sector will be able to increase efficiency of production, especially in the Third World's large parastatal sector.

Poverty Alleviation Schemes: Measures introduced here are the most recent additions to lender conditionality. Under pressure and at the bequest of its critics (most notably UNICEF and UNDP), the Bank and Fund have had to provide some assurance that the "social costs" of adjustment upon the poor and other "vulnerable groups" will be mitigated in the course of implementation. Poverty alleviation schemes are an attempt to give the adjustment package a "human face."⁸⁵

In summary, the goals of the neo-liberal model for Third World development are: i) decrease government fiscal deficits; ii) reduce inflation; iii) encourage exports; iv) phase out national barriers to trade and investment and iv) increase gross domestic product. As for the effectiveness of SAP, perhaps the most telling testament to its failure is evidenced by the fact that the Third World's debt burden and marginalization in the world economy have increased almost in direct and timed proportion to the number of political economies that undertook the programme in the 1980s. In a highly polemically charged condemnation of SAP, one radical writer contends:

⁸⁵ In particular, see UNICEF, Adjustment With a Human Face Volume I: Protecting the Vulnerable and Promoting Growth, New York: Oxford University Press, 1987. For UNICEF, adjustment with a human face entails, "the need for the human implications of an adjustment policy to be made an integral part of adjustment policy as a whole, not to be treated as an additional welfare component" (pp. 3). UNICEF's criticism of IMF adjustment policies has been instrumental in forcing the Fund and Bank to at least consider the "human dimensions" of adjustment and development.

These [structural adjustment] policies ... have not worked. On the contrary, they culminated in riots; the erosion of the credibility of government, its agents and agencies; confusion; malnutrition; high divorce rates; prostitution crime wave, hunger and death. The adjustment programme which has been profitable for criminals, drug pushers, currency traffickers, and top military men, speculators and pimps, has led to political instability, coups, counter-coups, increasing debts, inflation, massive decline in real wages, the virtual elimination of the middle classes, the near total destruction of small businessmen who lack foreign exchange; and a degree of de-industrialization.⁸⁶

On a less polemical note, even the World Bank has compromisingly admitted that the 1980s were a "lost decade" of development for Africa south of the Sahara as human welfare gains of the three previous UN development decades were virtually wiped out in the crisis-ridden 1980s.⁸⁷ In fact, contracting economies in sub-Saharan Africa during the 1980s have prompted the cynical response that Africa, under the structural adjustment regime, is really adjusting to poverty. Timothy Shaw, for instance, has argued that,

the current condition [in Africa] is not merely a short term disaster of drought, debt, refugees, and decline; rather it is the stark early warning of a long-term movement toward peripheralization and impoverishment: Africa's apparent lot in the New International Division of Labour.⁸⁸

It is ironical, but perhaps not at all coincidental, that the focus of the World Bank's 1990 World Development Report was poverty.

SAP: Where Did It Come From?

The Third World structural adjustment programme is largely a product of the new right's political, intellectual and ideological gains made in the First World during the 1980s. These gains include: i) a successful assault

⁸⁶ Julius Ihonvbere, "Africa's Historical Experience and the Basis of Poverty, Instability and Peripheralization in the Global System," paper delivered at the workshop sponsored by the Social Science Research Council on Structural Adjustment and Prospects for Peace in Africa, Park Plaza Hotel: Toronto, October 26-27 1990, pp. 35.

⁸⁷ World Bank, World Development Report 1990, Washington: World Bank, 1990.

⁸⁸ Timothy Shaw, "African Development and the New International Division of Labour," Economic Crisis in Africa: African Perspectives on Development Problems and Potentials, Tim Shaw and Adebayo Adedeji (eds.), Boulder: Lynne Rienner Publishers, Inc., pp. 270.

on the welfare state in the centre; ii) a concerted move toward widespread financial deregulation and increased market emphasis in the periphery and iii) a considerably reduced expectation that the state should be guarantor of basic needs or play a major role ensuring economic equity.

As the authors of "Development: The Market Is Not Enough" note, the neo-liberal programme is premised upon three supposed "lessons" drawn from the experience of both the developing and developed world during the past decade. These include: i) the perception that the newly industrializing countries (NICs) of East Asia -- Taiwan, Singapore, South Korea and Hong Kong -- represent viable and replicable models of export-oriented development for other Third World countries; ii) that socialist command economies failed principally because they did not use market mechanisms and iii) that export and market-oriented structural adjustment reforms implemented in much of the developing world in the 1980s have laid the groundwork for successful "take-off" of these economies into the much-envied elite NIC club.⁸⁹

Critics of the neo-liberal model of development have taken its designers to task over the dubious and sometimes specious "lessons" upon which its tenets are theoretically derived and practically based. Critics have taken particular exception to the orthodoxy's claim that the NICs of South-East Asia represent viable and replicable models of market and export-oriented development for the rest of the developing world. Contrary to the IMF's belief that the NICs have been able to achieve extraordinary rates of economic growth because they have used market mechanisms to some wondrous advantage, Nigel Harris in The End of the Third World: Newly

⁸⁹ See, Robin Broad et. al., "Development: The Market Is Not Enough," 144-162.

Industrializing Countries and the Decline of an Ideology argues that in fact, "in the newly industrializing countries, **state capitalism** [is] everywhere supreme"⁹⁰ [emphasis added]. Harris shows that the NIC state (except for the possible exception of Honk Kong) is an extremely interventionist one whose structures penetrate all aspects of society very deeply. Harris links the NICs's "success" inextricably to high rates of private capital accumulation, state-controlled investment and carefully planned agro-industrial expansion. However, if the World Bank and IMF had it their way, the activities of the "developmentalist state" in the Third World would be significantly curtailed. For example, under the structural adjustment regime "infant" industries in the Third World would not be afforded the same nurturing benefits such as special tariffs, quotas or state subsidies which the early First World industrializers used to protect their fledgling industries from foreign competition in the vulnerable stages of early growth. As "late-late industrializers," Third World countries are expected to compete without special protection amongst not only themselves, but against political economies in the North which have had the advantage of industrializing for over 250 years!

Moreover, as Harris makes poignantly clear, the special set of circumstances which helped contribute to the NIC "success" story in the 1980s are unlikely to be replicated in historical time and space anywhere else in the Third World. Harris argues, for instance, that the Taiwanese and South Korean state largely eliminated private mega land-holders by the early 1950s, which allowed the state to gradually use its monopoly in agricultural

⁹⁰ Nigel Harris, The End of the Third World: Newly Industrializing Countries and the Decline of an Ideology, Markham: Penguin Books Canada Ltd., 1988, pp. 163.

production (and surplus) to fuel later industrial expansion. Furthermore, the intensely important geo-strategical position the NICs occupy brought immense US economic and military aid to the area, as they were to become America's first line of defense against the spread of communism in South-East Asia. Finally, more contemporaneous, the NICs have profited greatly from being situated next door to some of the fastest growing mega-economies (particularly China and Japan) in the contemporary world economy. Surely the special set of socio-historical experiences which culminated in the "miracle economies" in South-East Asia is unique, and not at all translatable to the vastly different experiences of the rest of the developing world.

The political, economic and ecological sustainability of the NIC export model is also beginning to come under serious critical scrutiny, especially as Southeast-Asian economies begin to show signs of vulnerability in a contracting global economy. It is now undeniably apparent that the NIC economies, particularly South Korea and Taiwan, have been able to sustain extraordinarily high rates of economic growth by progressively working their populations into the ground while totally neglecting sound ecological principles. By all estimations, South Korea and Taiwan have coercive labour codes, which are backed up by authoritarian state structures. Taiwan and South Korea are hardly enviable or exemplary "development" models for replication! And they most definitely are not successful because they used the market mechanism to any great "comparative advantage!"

Despite the questionable neo-liberal grounds upon which the structural adjustment programme is currently premised and practiced, there is an emerging -- and largely uncontested -- global consensus that the reintroduction of capitalist relations in the periphery and "rolling back" the

developmentalist state there will (magically?) stimulate private capital accumulation, leading to renewed investment and higher rates of economic growth. Even leftist writers repeatedly consigned themselves to making statements in the 1980s such as "adjustment is unavoidable" or "adjustment is clearly necessary," though admittedly following with the trailers, in the case of the former, "but the approaches of the Bank and Fund are not necessarily in the best interest of the countries which are increasingly in bondage to these agencies"⁹¹ and the latter, "the issue, ... is not whether to adjust or not, but how,"⁹² respectively. Nevertheless, in response to debilitating and mounting external debt (which at last count stood at US \$1.3 trillion for the developing world alone), rising domestic turmoil, unrelentless international pressure, and, as a last ditch effort to obtain some precious foreign exchange, leaders from the developing world have turned *en-masse* to the Bank and Fund orthodoxy for a quick "fix" to their so-called "structural" problems. However, as we shall presently discover, the IMF pill is often worse than the disease it seeks to remedy.

Reform for Whom?

Both the Bank and Fund are proscribed by their charters not to become involved in the domestic politics of the host country. Yet, the host country's extensive surrender of economic sovereignty to the Bank and Fund that structural adjustment invariably involves takes these institutions well beyond the technically neutral and non-interventionist role they are publicly disposed to claim for themselves and their policies. As a matter of fact,

⁹¹ Kari Levitt, "Debt, Adjustment and Development: Looking to the 1990s," Economic and Political Weekly, (July 21, 1990), pp. 1593.

⁹² UNICEF, Adjustment With a Human Face, pp. 289.

classifying economic reform as a "technical" matter is itself a political act. Upon investigation, "adjustment" and "reform" packages, though referenced throughout in purely technical and neutral terminologies, are not at all class neutral, nor benign economic policy. Indeed, fomenting the "magic of the marketplace" paradigm carries with it some serious ideological and class-biased luggage, as Kari Levitt contends:

The 'market magic' paradigm has proven remarkably seductive because it combines the logical coherence of neoclassical economics with the structure of power in the real world. It is appealing because it appears to offer a personal and individual solution to economic pressure. In reality, it is an instrument whereby the rich and the powerful impose on whole societies a set of values and 'rules of the game' which reinforce inequality and injustice and dismantle the capacity for social solidarity.⁹³

In a similar vein as Levitt, Bjorn Beckman argues that while at one level structural adjustment

is a matter of commonsense economics (getting balances right; not spending more than you have) ... at another, it has a distinct political and class orientation, encouraging private entrepreneurship, liberalizing markets, privatizing public enterprises, restricting state intervention, and facilitating foreign private investment.⁹⁴

Inevitably, the restoration of market mechanisms can only serve to strengthen bourgeois forces in the developing world, especially considering that countervailing powers to capital (i.e., organized labour and labour political parties) are generally weak and underdeveloped in the periphery of the world capitalist system relative to metropolitan capitalism. Thus, Claude Ake's rather simple observation that SAPs "redistribute incomes and opportunities against labour in favour of capital,"⁹⁵ generally holds because of

⁹³ Kari Levitt, "Debt, Adjustment and Development" pp.1594.

⁹⁴ Bjorn Beckman, "The Post-Colonial State: Crisis and Reconstruction," IDS Bulletin, (October 1988), pp. 30.

⁹⁵ Cited in Julius Ihonvbere, "Africa's Historical Experience and the Basis of Poverty, Instability and Peripheralization in the Global System," pp. 35.

the nature (capitalist) of the reforms being introduced. Moreover, it bears noting that the interests of international capital lie in open markets, free flow of capital including profits, and reductions to barriers to trade and investment, all of which the IMF and Bank facilitate through conditionality reforms.

The non-neutrality of structural adjustment type reforms is perhaps best illustrated in the perverse class and gender distributions of the social costs of adjustment. UNICEF's 1987 sponsored study Adjustment With a Human Face points out quite explicitly that the brunt of austerity has been disproportionately borne by the popular classes, including "vulnerable groups" like rural women and children, whose social net is slashed by cutbacks in state welfare spending. The study asserts the obvious: unlike the rich, the poor are less able to shelter themselves from the ill social effects that are **always** associated with austerity measures. Anne Tickner, in her article, "On the Fringes of the World Economy: A Feminist Perspective," argues convincingly that,

the harsh effects of structural adjustment policies, imposed by the IMF on Third World debtor nations, fall disproportionately on women as providers of basic needs as social welfare programmes in areas of health, nutrition and housing are cut. **When government subsidies or funds are no longer available, women in their role as unpaid homeworkers and care providers must often take up the provision of these basic welfare needs.**⁹⁶ [emphasis added]

On the other side of the social equation, IMF-imposed deregulations on investment and trade, in addition to privatization conditionalities, create a business climate ripe for exploitation by certain international capitals and well-placed elites within Third World societies. In reference to the latter

⁹⁶Ann Tickner, "On the Fringes of the World Economy: A Feminist Perspective," A New International Political Economy: IPE Yearbook Volume 6, Craig Murphy and Roger Toose (eds.), Boulder: Lynne Rienner, 1991, pp. 285.

point, it can be argued that certain "collaborator" classes in Third World societies have benefited, however perversely, from their country's indebtedness. If that is indeed the case, Southern elites are unlikely to turn on the interests of more powerful Northern bankers and industrialists; **they will continue to make payments on loans they know they will never ever be able to pay back.** The collaborating relationship between powerful Northern elites and dependent Southern elites underscores the fact that the international system is not only a state system, but it is also an international class system. While it may be a crude restating of the dependency perspective, it is nonetheless true that economic elites in the Third World have a vested interest in maintaining the very same international structures which cause Third World underdevelopment and dependency on the First World in the first place.

The question of reform for whom is all the more pressing and perverse in light of the net negative transfer of resources from the developing to the developed world in the 1980s. The 1989 United Nations World Economic Survey conservatively estimates the net transfer of resources from the developing to the developed world in 1988 at \$46 billion (US).⁹⁷ As a matter of fact, the UN survey points out that since 1987 the IMF has been a net recipient of capital, taking in more money each year than it dispenses to each of the main developing country regions. So much for international Keynesianism!

To date, the Bank and Fund have been slow to recognize and respond to their "social" critics. While they are now much more keenly aware and

⁹⁷ See United Nations, World Economic Survey 1989: Current Trends and Policies in the World Economy, New York: United Nations, 1989.

sensitive to the attack spearheaded by UNICEF (among others), their new-found concern for the social costs of adjustment seems more rhetorical than real. Thus, even though the focus of the World Bank's 1990 World Development Report is explicitly "about poverty," nowhere in the report does it suggest that neo-liberal policies are antithetical to its strategy of alleviating poverty in the developing world. Hence, the Bank's two- pronged poverty alleviation strategy consisting of i) promoting the "productive use of the poor's most abundant asset -- labour" and ii) to "provide basic social services to the poor" is deemed to be "perfectly consistent" with the "longer term goal of economic restructuring."⁹⁸ However, there is cause and need to be skeptical about a "perfectly consistent" strategy which restricts internal demand on the one hand, and on the other, calls upon developing countries to expand their productive use of labour. As Michel Chossudovsky argues,

the fight against poverty is incompatible with the basic premise of the economic stabilization and austerity measures: the latter compress real earnings and stifle internal demand particularly in the areas of consumer necessities and essential social services.⁹⁹

Moreover, it is just a preposterous presumption on the Bank and Fund's behalf that the more than seventy countries now pursuing SAP's orthodoxy can, like the NICs of Southeast Asia, all export their way to success. Third World states and their workers are in fact competing against each other, saturating the world primary commodity market in a desperate attempt to make the next interest payment. On average, the world price of Third World

⁹⁸ See World Bank, World Development Report 1990, pp. 3.

⁹⁹ Michel Chossudovsky, "The Third World Structural Adjustment Programme," paper presented to the International Development Studies Program, Saint Mary's University , Halifax, Nova Scotia, March, 1991, pp. 22.

commodities and terms of trade have precipitously declined since the mid-1980s. As the UN's World Economic Survey for 1990 reports,

[B]etween 1980 and 1988, the real prices of non-fuel commodity exports from developing countries declined by some 40 per cent. Latin America's terms of trade fell by about 25 per cent; for West Asia and Africa, the terms of trade fell by 40 per cent. **The transfer of real income from Latin America, Africa and Western Asia towards their trading partners in the developed countries was large.**¹⁰⁰ [emphasis added]

The terms of trade between North and South are becoming more and more unfavourable to the South and more and more advantageous to the North. Problems which are in fact central to Third World development, including gyrating interest rates, Northern protectionism and cyclical changes in primary commodity prices are precisely problems that the South does not control, and that structural adjustment, either by design, or default, cannot or will not address.

Inherent, "Logical" and Festering Contradictions of SAP

Despite rhetorical claims by the Bank and Fund (and other apologists) that the introduction of market reforms in the periphery is directly responsible for contributing to the "redemocratization" wave said to be sweeping the developing world, it is far from an established fact that the Third World state and its leaders are ready to finally cede pride of place to purely market-determined and oriented development. In point of fact, there is growing evidence to support the case that the inherent contradictory logic of SAP promotes an even greater stratification of Third World societies than pre-adjustment times. Thus, the "withering away" of the Third World state is illusory, at least in the short term. James Petras, for example, unimpressed

¹⁰⁰ United Nations, World Economic Survey 1990: Current Trends and Policies in the World Economy, New York: United Nations, 1990, pp. 3.

by the "redemocratization" process in the southern cone of Latin America, has argued that the "new democracies" emerging there during the 1980s are really not "new" at all since the military, judiciary and other socio-economic institutions associated with the 1970s dictatorships remain virtually unchanged with the return to civil rule; it is merely a changing of the guard. Petras goes so far as to assert that the militaries in Latin America under regimes of structural adjustment, now operate through "legal" coercive channels. He contends that with austerity the class struggle in Latin America is being waged from above as capital, backed by the state and the international community at large, reasserts itself over labour. For Petras, SAP's repressive austerity measures require a repressive political apparatus for successful implementation. The reliance on coercion is thought to seriously jeopardize any hope of the emerging "new democracies" in Latin America reaching any kind of genuine and/or lasting democratic consensus.¹⁰¹

In a similar vein as Petras, but different context, Yusaf Bangura has argued the controversial thesis that in Africa the "monetarist strategy of crisis management pushes the state towards more authoritarian policies." He suggests that,

the adjustment programme of contemporary monetarism ... throws up specific types of political regimes ranging from zero/one and controlled two party systems to military rule, civil/military dyarchy and corporate representation.¹⁰²

The respected African marxist scholar Claude Ake concurs with Bangura, arguing that in the African context, **"there is no way of implementing the**

¹⁰¹ James Petras' argument here is extracted from an October 1990 talk given to the Saint Mary's Graduate International Development Studies Seminar entitled, "The Crisis of Liberal Democracy in Latin America."

¹⁰² Yusaf Bangura, "Structural Adjustment and the Political Question," Review of African Political Economy 37, (December 1986), pp. 24.

structural adjustment programme without political repression"¹⁰³ [emphasis added]. One of the perverse ironies of structural adjustment thus far in Africa is that while the adjusting state under dictate of international conditionality has been forced to make severe cutbacks in crucial social welfare expenditures, the coercive branches of the state -- the state police, the secret police, the military, the paramilitary, the courts and their legislative bodies -- have, if anything, been strengthened under regimes of adjustment. Thus violence procuring expenditures, despite contributing up to one-third or more of the balance of payment and debt problems in Africa, have actually increased, or at the very least, remained at pre-adjustment levels.¹⁰⁴

Nor are increased expenditures on the military and other coercive branches of the state necessarily antithetical to introducing disciplinary neo-liberalism onto the periphery of the world capitalist system. In Africa, for instance, some traditional client-patron networks have been severed as a result of monetarist retrenchment and privatization initiatives. The loss of government patronage severely compromises the state's ability to buy crucial factional support and ensure the ethnic peace. Faced with a precarious political future, some of Africa's leaders have resorted to using institutionalized forms of violence in order to remain, albeit clinging to power. Frequently, the adjusting state has had to rely on coercion to quell popular spontaneous insurrections that have been prompted by IMF-induced short-term currency and inflationary "shocks;" massive increases in basic food prices and public transportation costs as prices are "liberalized;" the

¹⁰³ Cited in Julius Ihonvbere, "Africa's Historical Experience and the Basis of Poverty, Instability and Peripheralization in the Global System," pp. 33.

¹⁰⁴ Adebayo Adedokun, "Military Expenditure Under Regimes of Structural Adjustment in Africa," yet to be published paper, but informally related in conversation March 1991.

reduction or outright elimination of social welfare subsidies in critical sectors including, most alarmingly, education, health and public housing. In thinking, if not in practice, therefore, the Bank has apparently seemed to abandon any notion of the Keynesian-influenced reformism of the Basic Human Needs and New International Economic Order paradigms which were widely touted in the 1970s.

Furthermore, there is every added incentive for regimes pursuing the SAP initiatives to see the implementation of market reforms and welfare retrenchment through to their final and "logical" end, no matter the social costs involved. Since the quality and quantity of future loan and aid disbursements ("tranches" in the case of the IMF) are dependent upon whether the state in question is perceived to be a strong or weak "reformer" by the IMF, adjusting regimes are virtually compelled to carry out even the most repressive austerity measures against their own citizens lest funding taps run dry. Moreover, bilateral official development assistance is increasingly tied to IMF conditionalities which further ensures that the South dances to the tune piped by the Northern piper.

The implication of the inherent authoritarian tendencies of SAP, then, is that structural adjustment necessitates a strong and capable state apparatus if the neo-liberal project is to be fully realized in the developing world. Thus, far from reducing the "overbearing" role of the state, SAP has the tendency to **continue or extend** some forms of state interventionism (mostly coercion related). Consequently, the Bank and Fund's neo-liberal "orthodox paradox" is becoming a festering blight on the programme's horizon. As Thomas Biersteker puts it: "[E]xternal agents are attempting to use what they consider the key obstacle to development -- the state -- as the primary weapon in their

struggle to reform Third World political economies."¹⁰⁵ The evidence accumulating whether in Africa, Latin America, Eastern Europe or Asia, is that political economies most "successful" at implementing and **actually** carrying through on Bank and Fund policies are precisely those regimes which are authoritarian.¹⁰⁶ President Fujimori's suspension of Peru's constitution in April 1992 (in part defended on the grounds that he needs more central power to enforce his "liberal" market reforms) is just the latest in a depressing series of IMF-induced "adjustment coups."

The Bank and Fund have been extremely reluctant to respond to the contentious issue of whether their neo-liberal policies inherently support authoritarian tendencies in the developing world. The fact that international lenders have been recalcitrant up to this point to demand reductions in Third World military spending, all the while vigorously promoting cuts in welfare spending, would lend credence to the argument that SAP is more likely to be successfully implemented in authoritarian settings than non-authoritarian ones.¹⁰⁷ As a consequence, neo-liberalism's causal link between economic reform and expected political reform is entirely misplaced as draconian austerity measures, including the compression of internal demand, ensure a political situation intolerably subversive to popular democratic rights and social demands. It is a highly speculative matter indeed whether the Bank

¹⁰⁵ Thomas Biersteker, "Reducing the Role of the State in the Economy: A Conceptual Exploration of IMF and World Bank Prescriptions," International Studies Quarterly, 34:4, (December 1990), pp. 488.

¹⁰⁶ Many regimes under structural adjustment have experienced what the Bank and Fund refer to as "debtor fatigue." Often the programme is aborted in mid-stream as adjusting political economies are unable to sustain the harsh conditions attached to the programme.

¹⁰⁷ It is perhaps instructive to note that Ghana under Rawlings and Chile under Pinochet, which are widely touted by the Bank and Fund as models of successful adjustment for the rest of the developing world, are also authoritarian regimes.

and Fund are really socially concerned about the "democracy question" in the Third World at all. As Bjorn Beckman has argued:

Repressive policies against workers and unions are standard features of the structural adjustment programmes. The World Bank and the IMF support such anti-democratic policies. By bolstering compliant regimes financially and managerially they enhance their capacity to override popular opposition.¹⁰⁸

Third World "Redemocratization" and the Global Political Economy

While the Bank and Fund have been slow to date to move on the democracy question in the developing world, the "rebirth" of popular democratic movements and the resuscitation of civil societies in Eastern Europe, the former Soviet Union and elsewhere have clearly put questions of ["liberal"] democracy back on the political agendas of the developed world. As relations and tensions between East and West "normalize," the Bank and Fund have in fact found some political room in which to confront adjusting political economies with "democratic conditionalities," particularly human rights, as a pre-requisite for further international loan assistance and humanitarian aid. Even still, as Maria Nzomo points out in reference to Africa, (but generally applicable to the rest of the developing world):

The call for democratization of [Third World] regimes at the international level is rather suspect on at least two grounds: (i) it assumes that [Third World's] problems are only due to domestic autocracy and do not also reflect the undemocratic nature of the international capitalist system and (ii) the timing for demanding political reform seems to conveniently coincide with a period when [the South] has ceased to be a priority region for western donors, with the end of the East-West ideological battles and the emergence of the more strategically placed Eastern Europe.¹⁰⁹

¹⁰⁸ Bjorn Beckman, "The Post-Colonial State: Crisis and Reconstruction," pp. 33.

¹⁰⁹ Maria Nzomo, "Beyond the Structural Adjustment Programmes: Democracy, Gender Equity and Development in Africa," paper presented at the Dalhousie University International Symposium *Surviving at the Margins: Africa in the New International Divisions of Labour and Power*, March 1991, pp. 38.

Nzomo concludes her argument by contending that if the developed world is genuinely serious about the democracy question in the developing world, then surely "there is a compelling case for them to also initiate economic democratization of the international system."¹¹⁰ The fact of the matter is that the question of redemocratization in the developing world is inseparable from wider debates concerning the undemocratic nature of the North-South/rich-poor capitalist system. As Richard Sandbrook argues in the context of Latin America, "capitalism is far from an unmitigated blessing for ... democracy."¹¹¹

Conclusion to the End of Development

The IMF and World Bank's structural adjustment programme is essentially premised on two neo-classical economic tenets: an economic growth strategy predicated on the resuscitation of export-led growth, and a minimalist state. Regarding the latter point, neo-liberalism's "logic" inevitably pushes the Third World state towards more, not less, statification of society under regimes of adjustment. SAP and statification are all the more perversely ironic when one considers the increased military expenditures the adjusting state must expend in order to carry out the repressive logistics of the programme. If the trend towards more statification continues, redemocratization in the developing world will remain a tenuous enterprise at best.

As for the former category -- promoting economic growth through revived extroverted growth -- the strategy is destined to fail. It is simply quite

¹¹⁰ Maria Nzomo, "Beyond the Structural Adjustment Programmes," pp. 39.

¹¹¹ Richard Sandbrook, "Liberal Democracy in Africa: A Socialist-Revisionist Perspective," Canadian Journal of African Studies, 22:2, (1988), pp. 257.

ludicrous to think that one myopic and extremely inflexible package of market reforms can be universally applicable to the immense diversity of experiences of the developing world. The fact is, the plethora of states now pursuing the SAP project radically differ one from the other not only in the level and composition of indebtedness, but more importantly, in the type of political, cultural and religious orientations. Yet one SAP is said to cure all!

VI. Conclusion: Whither the New Right, Or a Withering New Right?

In contrast to the post-war Keynesian demand-side transformation of global capitalist hegemony, contemporary transformation of capitalist hegemony has taken on an explicitly supply-side, pro-market discursive. In the four decades since the end of the World War II, bourgeois economic theory -- and political praxis -- have in fact come full circle. Politically propelled by the rise of the new right in the early 1980s, a so-called monetarist "counter-revolution" in economic theory has displaced "Keynes's revolution." Keynesianism's valiant, if ill-fated, attempt to create a more egalitarian capitalism through active state intervention in the economy has given way to a new right political economy perspective which ideologically shuns interventionism. In the global political economy of the new right, a kind of demented social Darwinism prevails on an international scale, as the new rules and values guiding capitalist accumulation in the 90s are those decreed not by the state, but those of an increasingly inflexible, repressive and dictatorial global marketplace. Perversely, people and countries alike are being forced against their will to "adjust" to a market mechanism that really is, as the right's intellectuals keep telling us, impersonal and impartial.

Despite the tenacity of the right's intellectual and political offensive, fissures are beginning to emerge in the new right's global model of market-led development. According to Patricia Marchak's argument in The Integrated Circus: The New Right and Restructuring Global Market, the new right of the 1990s has appeared to have exhausted its popular appeal and political mandate. Marchak argues that the task of providing the moral, intellectual and political leadership for the period of radical global restructuring completed, the new right, at least in its present form, is incapable of providing any innovative solutions to problems of planetary scope left in the wake of its own privatization, deregulation, desocialization and desubsidization policy initiatives. For global ecological, poverty, debt and militarization problems no lasting, let alone promissory solutions, have been offered. The moral and social disintegration of the human community as reflected in: increased rates of crime, drug and substance abuse in the First World; violent attacks against women and ethnic minorities; inner-city squalor; unemployment; suicide; homelessness and Third World immiserization all suggest a latent crisis of political leadership. The new right's politics of cynicism and apathy have filtered through to an increasingly disenchanted electorate: psychological disaffection, social alienation and political pessimism abound, ironically and especially so, in the wealthier states.

So the world's honeymoon with the new right may in fact be coming to an ignominious end. The more noxious elements of the new right sensibility like Maggie Thatcher and Ronald Reagan are mercifully gone. And George Bush, despite "winning" the Gulf War, has not been able to guarantee the social peace at home -- or his re-election for that matter:

There is already a postwar letdown; it is the morning after the Gulf war, and dazed Americans have turned off CNN and started looking around, and are seeing the same miserable social and economic problems that they had before 2 August. Unemployment, the economic recession, homelessness, failing schools, and violent crime have erased the euphoria of victory. The Gulf War may not have given George Bush what he needed for re-election.¹¹²

Fueled by twelve years of republican "benign neglect" of the domestic economy, Bush is currently under severe political attack both from within and outside his own party to realign the nation even more rightward and put "America first" -- for a change. But as the American economy sputters, so too do republican, and ultimately, the global political fortunes of the new right. Bush's self-proclaimed "new world order," while still semantics in search of substantial meaning, is in vital jeopardy of coming unstuck even before the Pentagon has a chance to lace it with their own, assuredly frightening, interpretation.

Thus, as simple as it is in theory to shift emphasis from the demand to the supply-side of the economic equation, in practice, the monetarist counter-revolution has become a wholly problematic political policy to implement. The main political problem which continues to haunt the right is that present economic difficulties including unemployment, inflation and chronic financial instability would seem to demand much more economic control by government, not less. Consequently, neo-liberalism's solutions to general socio-economic malaise -- "there is nothing wrong [with the economy] ... that a dose of smaller and less intrusive government would not cure"¹¹³ -- are becoming an increasingly harder political act to sell -- and an ever bitter one to swallow. In the all-out premeditated war against "Keynesian inflation," a

¹¹² "Domestic Political Initiatives for the Gulf War," New Left Review, 187, (May/June 1991), pp. 78.

¹¹³ Milton Friedman, Politics and Tyranny, pp. 36.

terrible social price has been exacted. To be sure, inflation and interest rates (at least in some states in the First World) are currently running at their lowest level in decades. But then so too are economic growth rates. Pre-planned contraction of economic activity to control inflation does not come without its associated social and political costs. Despite constant assurances that things will get better, the global political economy of the new right has not delivered the promised goods. The right has not brought economic development, nor has it brought an informed response to recession, having conveniently forgotten the lessons of Keynesianism. In fact, the only thing the right has brought is socio-economic malaise.

In the aftermath of the Persian Gulf fiasco, the fraudulent aspects of new right rule are coming increasingly to the fore. As Noam Chomsky bitterly suggests, there may still yet be some role for the new right to play in a leaner and meaner global political economy:

The political leadership in Washington and London have created economic and social catastrophes at home and have no idea how to deal with them, except to exploit their military power. Following the advice of the business press, they may try to turn their countries into mercenary states, serving as the global mafia, selling 'protection' to the rich, defending them against 'Third World threats' and demanding proper payment for the service.¹¹⁴

The new world order Bush promised is in fact rapidly disintegrating into a perverse new global disorder where might increasingly equals the Right. The neo-liberal "market consensus" is clearly underlined by the very heavy hand of the state.

As for the future of "freedom of trade," what is in fact fast becoming ironically and frightfully clear, especially since the end of the Persian Gulf War, is that while developing countries and formerly communist-ruled states

¹¹⁴ Noam Chomsky, The Guardian March 25, 1991, pp. 12.

in Eastern Europe and the former Soviet Union struggle under the ruthless mercenary dictate of foreign donors to implement the latest and most radicalized version of the IMF's package of market, austerity and political "reforms," the so-called "free world" (America in particular) is rapidly beating a hasty retreat from the principles which are supposed to guide international *laissez-faire* commerce. As a matter of fact, the Northern industrialized countries are quickly becoming the most "illiberal" of traders in the world economy today. Despite championing the morals of the "magic of the marketplace" in "getting prices right" in the international arena, at home the political right rarely practice what it preaches. The hypocrisy and double-standards are commonplace. In the United States, Bush entertains neo-isolationist and neo-protectionist sentiments in a desperate bid for re-election. When beaten at their own competitive game Americans are quick to cry foul and "unfair." And even while the shenanigans in Washington play themselves out with assuredly frightening consequences, especially for the export-dependent economies of South-East Asia, the rest of the industrialized world races to erect trading blocs which run counter to the letter and spirit of free trade.

To sum up: **hegemony at the world level has been radically restructured by the new intellectual and political right. A less consensual, more exclusionary, polarized and coercive "new world order" is beginning to reveal and exert itself. This "new world order" is the subject of inquiry in the next chapter.**

Chapter Four. Conflict and Cooperation in the Emerging 'New' World Order

It is now apparent that the old order is indeed crumbling -- but amid such disorientation that the world is confronted not with a new order but a new global disorder. [...] Whatever shape the upcoming system eventually takes, it is clear that the major decisions affecting the international economy ... will be made in Tokyo, Bonn, ... as well as in Washington. [Ann Crittendon] ¹

We are still experiencing the decay of the older order and not yet the inauguration of a new. [David Gordon] ²

There are junctures or 'breakpoints' in history when the possibilities for major change are particularly great and the possible outcomes unusually wide. [John Ikenberry] ³

Introduction

In the previous chapter, I attempted to apply Gramsci's concept of hegemony as "intellectual and moral reform" in order to account for the contemporary dominance of market ideology and spread of related neo-liberal views throughout the developed and developing world. I argued that post-war Keynesian hegemony has largely been discredited and eclipsed by the intellectual and political world-view of neo-liberalism. The new right's elaboration, dissemination and control of ideational forces has been integral in producing a global "market consensus." At the economic policy level, this consensus involves: i) a frontal assault on the moral and economic legitimacy of state interventionism; ii) curtailment of Keynesian regulatory and state welfare policies, and internationally; iii) an intellectual justification of export-led development policies, emphasizing privately-determined market forces.

¹ Ann Crittendon, cited in Trilateralism: The Trilateral Commission and Elite Planning for World Management, Holly Sklar (ed.), Boston: South End Press, 1980, pp. 436.

² David Gordon, "The Global Economy: New Edifice or Crumbling Foundations?" New Left Review, 168, (March-April 1988), pp. 25.

³ John Ikenberry, "A World Economy Restored: Expert Consensus and the Anglo-American Postwar Settlement," International Organization, 46:1, (Winter 1992), pp. 318.

Although the confluence of neo-liberal ideas and neo-conservative politics in the 1980s has moved the international capitalist order in a more "liberal" market-oriented and less state-controlled direction, nobody knows for certain what new political and economic structures will emerge from the present crisis of restructuring in the 1990s. This chapter is in an attempt to sketch out some of the contours and dynamics of the evolving "new" world order.

In section one, I present the main thesis of this chapter arguing that the structure of the contemporary capitalist order is taking on a "triad" form, with material power disproportionately concentrated in three regions of the world economy: the United States, European Community and Japan. I advance the position that transnational corporations (TNCs) and emergent social forces associated with globalized production will be of paramount importance in shaping the future contours of this triad. Section two looks at the so-called "new world order" through the eyes and writings of the US Council on Foreign Relations. My suggestion is that dominant intellectual and political forces in the United States are consciously aware of the rising importance of Japan and the European Community to North-western determined and dominated world order strategies. Section three, the core of the chapter, argues that the three dominant powers seem to be taking up "specialized" roles in the triad international division of labour commensurate with their respective economic and political strengths. Thus, the United States is argued to be supplying the coercive link in a "trilateral bloc," while the European Community looks after reintegrating defunct communist regimes in Eurasia back within the capitalist fold, and Japan provides the material surpluses for managing the Third World debt crisis. Section four looks at the South in this

"new" [dis]order. I argue that the South is rapidly being left behind, possibly even forgotten, in this perversely Northern-centric capitalist order. A brief concluding section speculates on the future of the left and the need for an alternative vision of a truly new world order.

I. Structural Transformation in the Evolving World Economy

The present international economic 'order' consists of three interlinked phenomena: i) the growing complexity in the organization of the modern economy; ii) the transnationalization of the world economy, which is irreversible and in full expansion ... in the North and the South and iii) the predominance of the private sector and free market forces, both in the majority of national economies and in international relations. In all those phenomena, the transnational corporations are dominant factors. [Third World Guide 91/92]⁴

The "transnationalization of the world economy" is not a unique phenomena in and of itself. Historically, in the 500 years plus development of the world capitalist system, the geographical expansion of capital has generally tended to spread unevenly across the globe, reflecting technological developments in communication, transportation and production techniques, as well as the penetration by "metropolitan" capital into "peripheral" areas. What really is new in the present-day economy, however, is the unprecedented acceleration of internationalization tendencies in the economy. Up to, and including the early years of this century, production was international but corporations, for the most part, remained national. Since the end of World War II, however, the progressive development of a corporate "world-view," as opposed to a national view, accelerated as American investors, via the Marshall Plan and Third World decolonization, sought to establish themselves in new lucrative markets.

⁴ "The Power of Transnational Corporations," Third World Guide 91/92, Montevideo: Garamond Press, 1990, pp. 101.

Although the post-war geographical expansion of capital has been primarily an American dominated phenomena, with the ascendance of Japan, a uniting Europe and the "miracles" of the NICs over the past two decades, transnationalization tendencies have sped-up drastically. By 1985, the estimated total value of international production -- defined as production organized on a world scale through industrial systems that transcend national boundaries -- for the first time exceeded the total value of international trade. Today, over 50% of the world's industrial output can be accounted for by international production, up from an estimated 30% in 1960.

Susan Strange argues that three structural changes in the contemporary dynamics of the world economy help explain the accelerated drive toward globally organized production. First, according to Strange, technological advancements in methods of production -- whereby production is progressively more knowledge, capital and skills-intensive -- require hitherto nationally-oriented firms to seek out a niche in global markets in order to maintain a competitive edge. Secondly, Strange contends that the progressive deregulation and integration of international financial capital markets have facilitated a greater movement of productive capital investing abroad, making global production easier, quicker and cheaper than ever before. Thirdly, with improvements in telecommunications (i.e., fax machines, satellite transmissions, telex, etc.), computer and transport technologies (i.e., containerized shipping), the available mix of corporate strategies used by multinationals for keeping production costs down has been enhanced, which is increasingly put to use in order to fend off intensive international competition. For Susan Strange, then, advancements in production technologies, international financial deregulation and the corporate drive for

security help account for the accelerated trend toward international production.⁵

At the same time production has become more internationalized, it has also become more concentrated and centralized in the command control of transnational corporations (TNCs). Throughout the 1980s and into the 90s, the very biggest corporations have continued to get even bigger. Driven by persistent recessionary conditions, prevailing high interest rates, unusually low profit margins, and heightened internecine strife, aggressive industrial restructuring tendencies intensified on a global scale in the 1980s forcing bankruptcies, mergers, acquisitions and hostile corporate raids. The unabashedly capitalist serial Fortune reported that in the 1980s, "counting friendly and hostile deals, more than a third of the companies in Fortune 500 industrials were swallowed up by mergers and corporate acquisitions."⁶ In the United States alone, according to the serial, buyers dished out more than \$1.5 trillion in "friendly" mergers, "predatory" acquisitions and "hostile" take-overs.

The centralization and concentration of capital in transnational corporate control validates Marx's great insight that the development of capitalism tends to concentrate an ever increasing amount of wealth in an ever-decreasing number of hands. According to the Economist, in 1950 approximately 50% of the stock shares on the New York and London stock exchanges were owned by individuals. By 1989, only 21.3% of London and

⁵ Susan Strange, "An Eclectic Approach," The New International Political Economy, Craig Murphy and Roger Tooze (eds.), Boulder: Lynne Rienner Publishers, Inc., 1991, 33-50.

⁶ Edmund Faltermayer, "The Deal Decade: Verdict on the '80s," Fortune, August 26, 1991, pp. 58.

New York stock shares were owned by individuals, while fully three-quarters were controlled by large international or transnational corporate interests.⁷

In today's leaner and meaner business environment, TNCs have become the driving force in the contemporary economy, constituting the dominant or hegemonic position in the production hierarchy. Virtual monopoly control of technology, patents, and intellectual property rights underscore the tendency of TNCs toward market oligopoly. It is estimated that, "three companies dominate 70 to 75 per cent of the banana trade, six companies account for over 70 percent of the cocoa trade, and six companies control 85 to 90 per cent of the leaf tobacco trade."⁸ So much for competition and the open, "liberal" economy! A passage from Norman Girvan provides an excellent political economy perspective on multinationals:

When we speak of the multinational corporations [MNCs] we mean ... a large and rapidly expanding sector of the world economy characterized by a revolutionary new system of production and accumulation. The main features of this new system are diversified internationalized production under centralized control; massive size and huge financial resources of the basic institutional unit; technological dynamism and leadership; and high and continuously growing concentration of economic power. In a very real sense this new system now dominates the world economy, whether developed or underdeveloped. Both quantitatively and qualitatively the MNC is continually enlarging and intensifying its sphere of operation and control; attempting to absorb, subordinate, or liquidate all other systems of production and accumulation.⁹ [emphasis added]

The raw economic power concentrated in multinationals is evidenced in the increasing share of global wealth appropriated by TNCs. The United Nations Centre on Transnational Corporations (UNCTC) estimated that 25% of total world gross domestic product was contributed by TNCs in 1986, up

⁷ Economist, June 22, 1991.

⁸ Third World Guide 91/92, pp. 105.

⁹ Norman Girvan, "Economic Nationalists vs. Multinational Corporations: Revolutionary or Evolutionary Change?" Trilateralism: The Trilateral Commission and Elite Planning for World Management, pp. 441.

from 20% in 1971.¹⁰ In 1990, the combined sales of Fortune's global 500 industrial corporations totaled in excess of \$5 trillion, equivalent to 29.44% of the **total** world domestic product of all nations (\$17.190 trillion), as expressed in 1988 values. [By way of comparison, the total value of world merchandise traded in goods and services for 1991 was \$3.53 trillion (US).]

It is no exaggeration to say that the very largest TNCs are countries in their own right. The 1990 sales for General Motors, the largest company in the world, for instance, exceeded the 1988 GNP of Austria, while GM's combined assets of \$180 billion are more than the total value of goods and services produced in Switzerland for 1988. Figure I highlights the data for ten TNCs on Fortune's Global 500 list for 1990.

Figure I.
The World's Top 10 Industrial Corporations in 1990, by Sales

Company	Sales (\$ millions)	Assets (\$ millions)	Employees
1. General Motors (US)	125,126.0	180,236.5	761,400
2. Shell Group (UK)	107,203.5	106,349.1	137,000
3. Exxon (US)	105,885.0	87,707.0	104,000
4. Ford Motor (US)	98,274.7	173,662.7	370,400
5. IBM (US)	69,018.0	87,568.0	373,816
6. Toyota (Japan)	64,516.1	55,340.3	96,849
7. IRI (Italy)	61,433.0	N.A.	419,500
8. British Petro (UK)	59,540.5	59,199.2	116,750
9. Mobil (US)	58,770.0	41,665.0	67,300
10. Gen. Electric (US)	58,414.0	153,884.0	298,000

Source: "The Global 500," Fortune (July 29, 1991).

¹⁰ United Nations Centre on Transnational Corporations, Transnational Corporations in World Development: Trends and Prospects, New York: United Nations, 1988.

The majority of TNCs are headquartered in a few select industrialized countries. A survey of Fortune's global 500 corporations reveals that 164 of the top 500 largest firms (based on yearly sales figures) are American based, while 129 are European and 111 Japanese based. Based on the aggregate sales of the top 100 companies in 1990, American TNCs accounted for 39% of sales, Japanese 16% and German 12%, respectively. Figure II reveals that fully 75% of the largest TNCs in the world are concentrated in just five industrialized countries.

Figure II.
Distribution of the Global 500 by Country of Origin: 1990 Data

Country	# of Companies in Top 500	Largest Company	1990 sales (\$ millions)
United States	164	General Motors (1)	125,126.0
Japan	111	Toyota Motor (6)	64,516.1
Britain	43	British Petroleum (8)	59,540.5
France	30	Elf Aquitaine (26)	32,939.2
Germany	30	Daimler-Benz (11)	54,259.2
Sweden	17	Volvo (78)	14,688.6
Canada	12	Alcan Aluminum (150)	8,846.0
South Korea	11	Samsung (14)	N.A.
Switzerland	11	Nestle (25)	33,359.0
Australia	9	Broken Hill Prop. (120)	10,825.5

Note: Ranking of company by sales appears in parenthesis.
Source: "The Global 500," Fortune (July 29, 1991).

Although an uncertain indicator of national economic strength and leadership in world production, the authors of a 1987 study entitled, "America and the Changing Structure of Hegemonic Production," use the international distribution of the world's largest 50 firms (based on yearly sales figures) from 1956 through to 1980 to examine America's changing status as a hegemonic power in world production. Their findings "clearly show that the

United State's position in the world economy had declined over the period. In 1956, 42 of the world's top 50 firms were based in the United States. By 1980, the number had shrunk to 23."¹¹ Only 16 American-based companies were in the top 50 in 1990. By comparison, Japan had zero TNCs in the top 50 in 1956, three in 1980, and nine in 1990.

The Role of the State in Restructuring

The rising power of international capital relative to national capital and organized labour has been consistently reinforced by key policy decisions made by neo-liberal state managers in the 1980s and 90s. In many crucial areas of economic policy, the anti-Keynesian managers have served to further strengthen internationalizing tendencies in the economy by closely aligning the state along side the corporate interests, desires and perspectives of transnational capital:

A profound restructuring of production, along lines promoted by large corporate capital, has been reinforced by interrelated developments at the level of the state and production. [...] In particular, the state found itself less able ... to maintain ... its legitimacy through the elaboration of the post-war Keynesian social contract. With its hegemony in peril, the advanced capitalist state, to varying degrees, invariably has aligned itself closer to large, corporate capital and acceded to neo-conservatist solutions to [economic] crises. Thus [the state] has become a powerful force in promoting a realignment of social forces and enforcing a series of policies compatible with broader neo-conservatist projects of restructuring and internationalizing production, privatization, deregulation and dismantling the Keynesian welfare state.¹² [emphasis added]

Neo-liberal managers perceive the state's role in economic development as one of protecting market freedoms and/or ensuring the

¹¹ Albert Bergeson, et. al., "America and the Changing Structure of Hegemonic Production," America's Changing Role in the World System, Terry Boswell and Albert Bergeson (eds.), New York: Greenwood Press, Inc., 1987, pp. 159.

¹² Robert Kreklewich, "North American Integration: The International Context," Forging Identities and Patterns of Development in Latin America and the Caribbean, Harry Diaz et. al. (eds.), Toronto: Canadian Scholars' Press Inc., 1991, pp. 29.

conditions for competitive markets to prevail on an international basis. They devalue currency exchange and interest rates, deregulate national restrictions to the free flow of capital and profit, and provide lucrative business incentives, such as lax pollution controls, all in a desperate bid to remain internationally competitive. Attracting new sources of **productive** capital, which is becoming increasingly scarcer relative to **speculative** capital, is the name of this new economic development game. In this highly competitive struggle to secure new sources of productive investment, not only do states compete against other states, but also community against community, and increasingly, worker against worker. Generally speaking, as the Canadian case under the corporate directorship of the Mulroney administration demonstrates, the elusive yet incessant drive to be "internationally competitive" via the modicums of neo-liberalism -- i.e., free trade, monetarism, state non-interventionism, deregulation, privatization, etc. -- necessarily involves a reconcentration of economic power in favour of large-scale internationally-mobile capitals, since only they have the political wherewithal and material resources to survive intensified world-wide competitive pressures. Small and medium-scale capitals are absorbed in a Darwinian social struggle where bigness has become rightness.

Although the structural power of international capital tends to decrease the overall bargaining position of the state, it is unmistakably certain that corporate capital still favours a politically divided world:

TNCs clearly favour an inter-state system founded on nation state ... rivalry. TNCs rely not only on the services provided by nation states in terms of internal security and the reproduction of a compliant working class; they also favour competition between nation states to enhance the structural power of transnational capital. The scramble of nation states to attract TNCs to their shores highlights this structural power. [...] It is a fallacy therefore to suppose

that the importance of the nation state in the world order has diminished with the rapid internationalization of capital.¹³ [emphasis added]

By threatening disinvestment and/or relocation, especially in recessionary periods, international capital can play states off against one another in a bid to secure the lowest possible labour costs and ensure labour's non-militancy:

Transnational firms, in contrast to national firms, can threaten unions with plant closures and relocation of investment to other countries. Countries with relatively weak or politically controlled labour movements will, other things being equal, tend to attract investments at the expense of countries with strong, independent labour movements.¹⁴

The classic British imperialist strategy of divide and rule has been taken up effectively by the world's 500 or so global corporate powers; classical nation-state imperialism has given way to the economic imperialism of Exxon, Toyota Motor and Daimler-Benz, respectively.

Although difficult to prove, there does appear to be an implicit new social contract reached between neo-liberal state managers and transnational corporate capital in which the state assumes the social responsibility -- **and associated costs** -- of training, educating, nurturing and skilling the labour force in accordance to the dynamic requirements of international capital. This suggestion is perhaps affirmed in the fact that the state's role in the economy, particularly in the macroeconomy, despite the persistent anti-statist rhetoric of the neo-libertarians, has increased not decreased:

[T]he role of the State has grown substantially since the early 1970s; state policies have become increasingly decisive on the international front, not more futile. Governments have become more and more involved in active management of monetary policy and interest rates in order to condition exchange rate fluctuations and short-term capital flows. They have become actually and potentially decisive in bargaining over production and investment agreements. And, small consolation though it may be, in an era of spreading monetarist

¹³ Peter Burnham, "Neo-Gramscian Hegemony and the International Order," Capital and Class, 45, (Autumn 1991), pp. 86.

¹⁴ Stephen Gill and David Law, "Global Hegemony and the Structural Power of Capital," International Studies Quarterly, 33:4, (December 1989), pp. 487.

conservatism, everyone including transnational corporations has become increasingly dependent upon coordinated state intervention and resolution of the underlying dynamics of crisis.¹⁵

The state, therefore, is increasingly central to capitalist strategies for resolving the world economic crisis. To cope with, and hopefully overcome the crisis, the state has taken on the role of supplying comfortable and profitable havens for international investors in a turbulent world economy. International investment capital is increasingly concerned with how much -- or how little -- the state expends in providing its citizens with the basic human amenities and social infrastructure needed to reproduce a highly technical and skills-oriented work-force. Clearly in this globally competitive game, Canada and the United States are rapidly losing ground relative to Germany, Japan and the newly industrializing countries (NICs) in South-East Asia. The tendency of international capital, in fact, is to unify hitherto disparate national labour forces on an international scale as a general wage-cost reduction strategy. As a consequence, a global "wage contract" is emerging, whereby the cost of purchasing labour power is determined not by national standards, but by the competitive price prevailing in the international marketplace. Labour, particularly high-skilled labour, has become an increasingly "commoditized" good.

An International of Capital?

As early as 1975, the perceptive Canadian Marxist scholar Stephen Hymer observed that an international capitalist class, based on Fortune's 500 largest corporations, was in the process of formation:

[A]n international capitalist class is emerging whose interests lie in the world economy as a whole and a system of international private property which

¹⁵ David Gordon, "The Global Economy: New Edifice or Crumbling Foundations?" pp. 63-64.

allows free movement of capital between countries. The process is contradictory and may break down, but for the present there is a strong tendency for the most powerful segments of the capitalist class increasingly to see their future in the further growth of the world market rather than its curtailment.¹⁶ [emphasis added]

Advancing Hymer's case, contemporary Gramscian-influenced scholars Stephen Gill and David Law have persuasively argued that the material interests and concerns of a leading international class "fraction" are inextricably bound up with the progressive "transnationalization" and "liberalization" of the global political economy. In the present conjuncture, neo-liberal policy is thought to be congruent with the dominant material interests of this globally nascent capitalist class. Thus, for these two scholars, the global political economy complex is theorized to be not only an international state system, but also an international class system with class forces operating across, as well as within, national boundaries.¹⁷

For Gramscian political economists, emergent social forces generated by changing production structures are the starting point for thinking about possibilities of present and future world order development. Concerning the evolving contours of world order, Gill contends that a dialectical struggle is currently being waged between transnational social forces and national social forces:

[T]he principles of organization of [the] reconstructed and restructured world order system are increasingly those associated with liberal economic ideas and interests (e.g., transnational capital), which are engaged in a dialectical struggle vis-a-vis embedded mercantilist and statist perspectives (often associated with the public sector, the security complex and protected industries that are non competitive internationally).¹⁸

¹⁶ Stephen Hymer, The Multinational Corporation: A Radical Approach -- Papers by Stephen Hymer, Robert Cohen et. al. (eds.), New York: Cambridge University Press, 1979, pp. 262.

¹⁷ See Stephen Gill and David Law, The Global Political Economy: Perspectives, Problems and Policies, Baltimore: Johns Hopkins University Press, 1988.

¹⁸ Stephen Gill, "Historical Materialism, Gramsci, and International Political Economy," The New International Political Economy, pp. 65.

Stephen Hymer himself predicted that the progressive "deterritorialization of the capitalist mode of production" would initiate a new dialectical struggle in which national industries, non-mobile labour and associated class forces reliant for their survival on the state would be in constant collision with international interests. While it is perhaps too early yet to predict which set of social forces -- i.e., national or transnational -- will ultimately prevail in the global political economy, the rising protectionist mood in the North, the tendency toward "managed" rather than "free" trade systems and the apparent fragmentation of the world economy into three regional neo-mercantalist blocs centred on the United States (NAFTA), Germany (European Community) and Japan (Pacific Rim) would suggest, at the present time anyway, that nationalist social forces have gained the upper hand. Even still, as Craig Murphy points out, the global political economy is highly fluid:

[T]he puzzle is far from being solved. In fact, it is not even clear that it is a single puzzle that is being solved. Intellectuals, political parties, business leaders, and governments in the North all seem to be working on at least two puzzles at a time. We may end up with three North-South systems, one centred on Western Europe, one on the United States, and one on Japan. [...] Or we could end up with two blocs or one. But no matter which order emerges, most signs point to a continuation of the pattern of the early 1980s. The position of the dependent Third World in [the] new bloc or blocs will be subordinate, probably even more subordinate than in the postwar North-South bloc.¹⁹

Whatever order(s) eventually emerge from this period of restructuring, it is a guaranteed bet that the major decisions determining the contours of the future world order system will be made in Bonn, Tokyo and Washington.

¹⁹ Craig Murphy, "Freezing the North-South Bloc(k) After the East-West Thaw," Socialist Review, 20:3, (March 1990), pp. 40.

The "Triad" in the Global Political Economy

Several key macroeconomic indicators point to the unmistakable conclusion that the post-Cold War global political economy is, for all intents and purposes, a "triad," with total global wealth and total political economy power disproportionately concentrated in three countries or regions of the world capitalist complex: Japan, the twelve country European Community and the United States. Fully 72% of the total goods and services produced by the entire world in 1988 was contributed by the fourteen members of the triad. On the other hand, 128 countries from the developing world accounted for only 14.5% of world product in 1988. Figure III highlights the unequal -- and growing -- gross distribution of total global wealth appropriated by the triad and the rest of the world, both developed and developing.

Figure III.
Percentage Share of Total World Product Appropriated by Country or Region in 1988

	Total World Gross Domestic Product (- \$ trillions -)	Percentage Share of Global World Product (- %'age distribution -)
	-----	1988 -----
World Total	17.190	100%
Triad Totals	12.431	72.3%
United States	4.847	28.2
Japan	2.844	16.5
European Community	4.740	27.6
G-7 Countries Totals *	11.967	69.6%
Industrialized Countries Totals **	14.710	85.5%
Developing Countries Totals ***	2.480	14.5%

Notes: * The G-7 Countries include, by order of GDP size: USA, Japan, Germany, France, Italy, UK, and Canada.

 ** Data is for 33 Industrialized Countries.

 *** Data is for 128 Developing Countries.

Source: UNDP, Human Development Report 1991.

While the **gulf** between the North and the South -- and between the rich and the poor within the North -- is steadily widening, the **gap** between the triad powers at the centre of the world capitalist system is closing rapidly in several key macroeconomic indicators, both in relative and absolute terms. In fact, if we consider the European Community a "united" political economy entity -- which is still very far from the truth -- it is the world's most powerful "bloc." Figure IV looks at the triad in the global economic order more closely.

Figure IV.
The "Triad" in the Global Political Economy: (1988 Statistics)

	<u>US</u>	<u>EC</u>	<u>Japan</u>
Population (millions)	266	328	128
GNP (\$ billions)	4,863	4,520	2,577
GNP per capita	19,840	13,620	21,020
Exports (\$ billions)	393	526	287
% of industrial countries GDP	35.0	33.4	20.6
current accounts (\$ millions)	-113,740	+39,430	+82,610
Unemployment Rate (%)	5.3	9.2	2.2
# of Companies in Fortune 500	164	129	111
IMF Voting Power (%)	19.6	28.9	6.1
World Bank Voting Power (%)	15.1	29.7	8.7
ODA as % of GNP	0.15	n.a.	0.32

Note: The European Community is shown as a united "bloc."
Sources: Economist; IMF; Fortune; World Bank; UN; UNDP.

Figure IV underscores the fact that the capitalist world order is now a polycentric one; a preponderance of power no longer rests in the United States. The precarious and uncertain domestic and international economic position the United States finds itself *vis-a-vis* Japan and a uniting Europe now place real constraints on America's freedom to dictate the course of international affairs in a post-Cold War setting. As Noam Chomsky asserts, "the basic contours of the actual new world order were coming into focus

twenty years ago, with the emergence of a 'tripolar world' as economic power diffused within US domains."²⁰ The glory days of American hegemony have clearly past.

The Triad and Foreign Direct Investment

Recent trends in foreign direct investment (FDI) also reinforce the assertion that it is becoming increasingly pertinent for political economists to see and theorize the evolving world order structure in triad terms. A study published by the United Nations Centre on Transnational Corporations (UNCTC), for instance, confirms that the triad is the most powerful and fastest growing trading and investment "bloc" in the contemporary world economy. The Centre's report shows that there was a marked trend in the 1980s toward what it calls "triad trade" and "triad foreign direct investment." According to the Centre, during the 1980s international investment by TNCs exploded, averaging 29% each year. Figure V shows that a staggering 90% of total FDI stock in the world in 1989 was invested by a member from the triad.

Figure V.
Percentage of Foreign Direct Investment by Country or Region of Origin

	<u>1960</u>	<u>1973</u>	<u>1989</u>
	-----percent of total-----		
Triad Totals	93%	92%	90%
United States	47.1	48.0	28.3
Europe	45.2	39.0	50.2
Japan	0.7	4.9	11.5
All Others	<u>7.0</u>	<u>8.1</u>	<u>10.0</u>
Total	100%	100%	100%

Source: Monthly Review, 43:9, (February 1992), pp. 12.

²⁰ Noam Chomsky, "The Struggle for Democracy in a Changed World," Review of African Political Economy, #50, (April 1991), pp. 15

As of 1989, the United States accounted for the largest single stock of overseas investment with \$345 billion, compared with \$332 billion for the EC, and \$110 billion for Japan. By the Centre's calculations, the sum total of foreign direct investment stock had surpassed the \$1.5 trillion mark in 1989. Over 80% of that total was controlled by members from the triad.²¹

Throughout the 1980s, FDI became increasingly selective, situated in and on the triad members itself. [See Figure VI].

Figure VI.
Concentration By Region of Accumulated Foreign Direct Investment

	<u>1967</u>	<u>1973</u>	<u>1980</u>	<u>1989</u>
	----- percent distribution -----			
Developed Countries	69.4	73.9	78.0	80.8
Underdeveloped Countries	<u>30.6</u>	<u>26.1</u>	<u>22.0</u>	<u>19.2</u>
Total	100%	100%	100%	100%

Source: Monthly Review, 43:9, (February 1992), pp. 14.

In part, this accelerating investment pattern centred on the triad is explained by transnationals driving to firmly implant themselves in lucrative European, American and Japanese markets in expectation of escalating Northern protectionism. Nonetheless, the tendency for triad members to invest amongst themselves, at the expense of developing countries, is a disturbing trend. Despite desperate efforts of the Third World to attract much-needed overseas investment, just five developing countries -- Singapore, Brazil, Hong Kong, China, and Mexico -- accounted for more than

²¹ See United Nations Centre on Transnational Corporations (UNCTC), World Investment Report 1991: The Triad in Foreign Direct Investment, New York: UNCTC, 1991.

half of all investment flows to the developing world in 1989. Although there are a number of free-export processing zones in the Third World, it is apparent that as production becomes progressively intellectual and capital-intensive, the corporate powers that be clearly prefer a highly specialized, educated and skilled work-force. Indeed, transnationals which relocated to the Third World during the austere 1970s and 80s are coming back "home" to the North in droves as most labour forces in the South are quite unable to meet the demanding and unceasing changing employment requirements which globally organized production necessarily entails. The struggle in the South would seem to be one of staying afloat in a global sea of poverty. Many formerly Third World countries, especially in sub-Saharan Africa, are sinking into an abysmal Fourth, or even Fifth World status in the post-Cold War global hierarchy. Most citizens of the South (except of course its elites) lack the necessary purchasing power to buy many of the high-tech, high-cost goods TNCs produce. All of which underscores the tragic fact that the developing countries are becoming less and less a priority for the dominant political economies of the world, and more and more marginalized in a "triad" global system.

Conclusion to Section I

In this section, I have put forward the thesis that the international "order" is taking on a triad structure centred on Japan, the United States and the European Community. I looked at the increasing importance of TNCs in capitalist development, suggesting that emergent social forces connected with international production will be vital actors in determining the shape of future world order. So far the argument has been presented in highly

structuralist terms, as if to imply that globalization tendencies, which have given rise to the triad, are the benign evolutionary products of "advanced" transnational/national capitalist development. Of course, as Gramsci would suspect, this is far from the truth. In the next section I outline, in more dynamic detail, the intellectual and political foundations of the system which are consciously striving to shape, in high Gramscian fashion, a trilateral world capitalist order.

II. Shaping a New World Order: The US Council on Foreign Relations

Policy ideas do more than simply 'enlighten' political elites. They have a political as well as a cognitive impact. They offer opportunities for new coalitions of interests and give intellectual force or inspiration to those groupings. Ideas do change minds, but it is in their practical value in solving political dilemmas which give them a force in history. [John Ikenberry] ²²

Despite America's substantial and ongoing relative material decline *vis-a-vis* Japan and a uniting Europe, it is still undeniably the dominant power in the international state system; the United States continues to set the agenda for global change. Important economic, political and military decisions which impact the world economy profoundly still emanate from the corridors of power in Washington. Institutionally, the international system consistently reflects the "liberal" world-view of American internationalist-minded business and political elite. Perhaps even more important, from a Gramscian perspective anyway, American consumerist values, culture, language and ideology permeate the entire global political economy complex. As America still holds a commanding position in the world, crucial intellectual debates concerning the "new" post-Cold War

²² John Ikenberry, "A World Economy Restored: Expert Consensus and the Anglo-American Postwar Settlement," pp. 318.

international order and America's place in it will doubtless be of paramount importance to the evolving dynamics of world order.

In the next section I look at the recent "world order" writings of the US Council on Foreign Relations. It is argued that the vision its intellectuals disseminate as Gramscian-type persuaders of public opinion in the pages of the journal Foreign Affairs is important for understanding what the ruling classes in America are thinking, and more importantly, doing to bring the "new world order" into being.

The US Council on Foreign Relations

The US Council on Foreign Relations was established to inform, enlighten and influence public and private opinion in the United States -- and elsewhere -- through persuasion:

In speaking of public enlightenment, it is well to bear in mind that the Council has chosen its function [as] the enlightenment of the leaders of opinion. These, in turn, each in his own sphere, spread the knowledge gained here in ever-widening circles.²³

The Council's main public sounding board is the journal Foreign Affairs, which is published five times annually by the Carnegie Endowment for International Peace. While the journal's *raison d'être* is supposedly to "inform American public opinion by a broad hospitality to divergent ideas," the scholars highlighted in Foreign Affairs generally tend to subscribe to the hegemonic "neo-realist" tradition dominant in liberal American political economy scholarship.

An over-riding concern in neo-liberal scholarship is the "problem" of how the three dominant (or so-called "great powers") in the world system --

²³ Council on Foreign Relations, 1951 Annual Report. Cited in Trilateralism: The Trilateral Commission and Elite Planning for World Management, pp. 134.

America, Japan and a uniting Europe -- can best manage their "complex interdependence" in an era of continuing American hegemonic decline. The general unchallenged assumption in this scholarship is that a stable world order structure requires a "benevolent" system supporter -- i.e., a hegemon who can be entrusted with the responsibility of providing moral and intellectual leadership, while at the same time strong enough to guarantee, by force if necessary, the "rules" of an "open" world economy. Although variations on the neo-realist hegemonic stability theory do exist, suffice it to say that the majority of these intellectuals equate the classical "pax" period of American hegemony -- 1945 to circa 1973 -- with international stability and order. They equate the present-day period of chronic financial dislocation and political disorder with a decline of American power at the world level.

The keynote address of American neo-realism is the need to develop "international collaboration" and steering mechanisms to stabilize the world economy in rapid and profound transformation. Neo-realists assert that since "the United States no longer has the moral authority or the economic leverage to dictate the course of events ... leadership has of necessity become a collaborative effort."²⁴ Fred Bergsten provides the context for this thinking:

To restore effective systemic defences, America, Japan and a uniting Europe must join to provide collective leadership. The Big Three need to start acting as an informal steering committee for the world economy -- reinvigorating the existing institutional structures, creating new ones and initiating concrete steps to utilize them consistently. [...] Effective international economic cooperation will depend on the achievement of joint leadership by the Big Three economic superpowers.²⁵

²⁴ Michael Aho and Bruce Stokes, "The Year the World Economy Turned," *Foreign Affairs*, 70:1, (Winter 1991), pp. 160.

²⁵ Fred Bergsten, "The World Economy After the Cold War," *Foreign Affairs*, 69:3, (Summer 1990), pp. 105.

In this new "polycentric" world, America is encouraged to make the difficult adjustment from hegemon to partner. Meantime, a uniting Germany and Japan are encouraged to take greater leadership responsibilities commensurate with their economic super-power status in the international trade, monetary, and security regimes which manage global order -- i.e., Organization for Economic Cooperation and Development (OECD), Group of Seven Industrialized Countries (G-7), General Agreement on Tariffs and Trade (GATT), United Nations (UN), International Monetary Fund (IMF)/World Bank, etc. It is generally understood amongst neo-realists -- and many within the ruling classes of America -- that a peaceful resolution to the world economic crisis is attainable only through political accommodation and genuine international cooperation. For these intellectual and political forces, international collaboration in a post-Pax Americana era via "management by committee" strategies is not only necessary, but also desirable.

The political sentimentalities of Foreign Affairs and its subscribers tend to be aligned with what might be referred to as American "liberal internationalism." This political economy view-point, as Stephen Gill relates, is associated with the "enlightened" material interests of internationalist-oriented business and political fractions within the American ruling classes:

[T]hey are concerned with opening the world to the freer movement of capital, goods and services: they are liberal economic internationalists. [T]hey advocate that the US government cooperate more with its key allies in providing a steering and stabilizing capacity for the global economy, as well as helping to underpin its systemic integrity. [They] ... demand greater macroeconomic stability. The persistent US budget deficits are viewed by this grouping as a

key cause of the huge balance-of-payments deficits, the rise of protectionism, and the gyrations in, and current weakness of, the US dollar.²⁶

The ideological view-point produced and disseminated in the pages of Foreign Affairs is thus hardly representable of "the people." However, despite the obvious politico-intellectual -- and hence ideological slant -- of the journal, recent contributions to Foreign Affairs frequently offer to the excluded a penetrating insider's view into the "new" thinking presently informing high-level architects of post-Cold War American foreign policy.

Project "Sea-Change:" The Councils' Plans for a New World Order

Foreign Affairs frequently deals in prescriptive measures that the United States could and/or should take in managing contradictions arising in the world economy. In the autumn of 1990, for instance, the Council launched an ambitious, on-going scholarly program entitled "Project Sea-Change." As the editors of Foreign Affairs put it, the project's "primary purpose ... is to generate a series of imaginative analyses of a radically changing American role in the world" in the hope of inspiring "a wider debate on the future of America in the world."²⁷ Leading intellectuals of American foreign policy have been asked by the journal's editors to "describe a vision of the future in those key geographical and functional areas of greatest relevance to American security and well-being."²⁸ In essence, the Council's "Sea-Change" project wants leading establishment scholars of

²⁶ Stephen Gill, "Reflections on Global Order and Sociohistorical Time," Alternatives, 16:3, (Summer 1991), pp. 291.

²⁷ The Editors, "A World Transformed," Foreign Affairs, 69:4, (Fall 1990), pp. 92. The Fall 1990 edition of Foreign Affairs reproduces several articles inspired by the Sea-Change project. The full collection of essays has been published in Sea-Changes: American Foreign Policy in a World Transformed, Nicholas Rizopoulos (ed.), New York: Council on Foreign Relations Press, 1990.

²⁸ Ibid.

American foreign policy to articulate their vision of America in a "new world order." As one would expect, organic intellectuals are indispensable for thinking about the contours of an evolving world order system. To bring America's best minds together to bear on the problems of the world is what the "Sea-Change" project is all about.

The Council's "Sea-Change" project appears to be prompted by four "momentous" transformations, particularly in Eurasia, in the global system. These include: i) the gradual eclipse of the Cold War at the world level; ii) the collapse of East European and Soviet state socialist models; iii) the growing importance (or challenge) of Japan and the European Community to dominant Northwestern world order strategies and iv) the embrace of market principles and liberal democratic values the world over.²⁹

Although the "new world order" phrase has become summarily popular everywhere ever since US Secretary of State James Baker III first announced to Congress that America was working on a "new order" in the Middle East in September 1990, it is important to note that Baker himself has admitted that the administration has only just begun thinking about a "new" system. On a deeper, more politico-practical level, the intellectual thrust of Project "Sea-Change" may be to provide some much-needed substance to the Bush administration's poorly defined "new order" vision. Given the Bush administration's self-identified greatest fault -- i.e., the lack of a "vision thing" -- it may well be up to the intellectuals within the powerful US Council on Foreign Relations "think-tank" to come up with America's political blueprint for a "new world order," which would include (one would

²⁹ For a discussion of the so-called "sea-changes" in world politics, see in particular Mile Kahler's article, "The International Political Economy," *Foreign Affairs*, 69:4, (Fall 1990), 139-151.

expect) a more coherent definition of the "new order" phrase, as well as an ideological defence of America's real interests in it.

It is perhaps instructive at this point to note that the Council's contemporary intellectual project, which is aimed specifically at formulating a coherent American post-Cold foreign policy, is not without historical precedent. For instance, the Council's intellectuals were heavily involved in all aspects and on all levels of planning for a new post-World War II order which, in the Council's mind, would be guaranteed and dominated by the United States. Specially assigned by the State Department in 1940, the Council established a task force group -- the War and Peace Studies Project -- whose twofold purpose was to: i) design American strategical war aims and ii) plan for the eventual peace. Regarding the latter, as early as 1942 the task force group had laid much of the intellectual and technical groundwork for integrating and reconstructing the post-war world economy under American leadership. In "A World Economy Restored: Expert Consensus and the Anglo-American Postwar Settlement," John Ikenberry convincingly argues that the Council's "experts intervened at a particularly fluid moment in history to help the British and American political establishments identify their interests, thereby creating the bases of postwar economic cooperation."³⁰ In addition to helping design the international monetary arrangements for a global Keynesian order, the Council also proposed, in early 1943, the seed idea for an international body which would be responsible for maintaining post-war peace and security -- the United Nations. Laurence Shoup and William Minter maintain that during the war:

³⁰ John Ikenberry, "A World Economy Restored: Expert Consensus and the Anglo-American Postwar Settlement," pp. 291.

[T]he Council's power was unrivaled. It had more information, representation, and decision making power on postwar questions than the Congress, any executive bureaucracy except the Department of State, or other private group. It had a very large input into decisions on the International Monetary Fund, the World Bank, and the United Nations. The formulators had indeed been able to gain positions of strength and put their plans for US hegemony into effect.³¹ [emphasis added]

Through the conscious planned efforts of Keynesian-influenced US intellectuals, then, a carefully constructed new world order -- Pax Americana - - emerged from the systemic chaos of World War II.

In thinking about a "new" post-Pax Americana world order, three issues deemed vital to America's national interests can be identified by project "Sea-Change." They include: i) active American collaboration in creating a new security apparatus for Europe; ii) a refocusing of attention on North-South development, democracy and peace issues, including: "selective" restrictions on Third World arms sales; a reconcentration of efforts focusing on nuclear non-proliferation in the South; and stepped-up vigilante-type campaigns aimed at restricting the North-South traffic in illicit drugs, containing the spread of AIDS, and reducing the threat of international terrorism; and iii) a redistribution of power and "burden-sharing" roles in the international financial and economic organizations commensurate with the special political abilities and economic strengths of Japan, the European Community and the United States.

Other authors suggested that promoting global capitalism, reinvigorating the world economy and reorienting former "command" economies in Eurasia toward market principles are plausible (and desirable goals) for the architects in Washington searching for a new post-Cold War

³¹ Laurence Shoup and William Minter, "Shaping a New World Order: The Council on Foreign Relations' Blueprint for World Hegemony," Trilateralism: Elite Planning for World Management, pp. 150.

American foreign policy. Despite differing individual prejudices concerning where America should be focusing its efforts, however, all authors are in genuine consensus on one point: in the evolution of the world economy America should, and will have to play, a more conciliatory and constructive and a less unilateralist and protectionist role than in the past. Hence, "unilateral American action is likely to be less effective, and the workings of an untrammelled market may be less desirable than innovation (or renovation) of mechanisms for international collaboration."³² Former National Security advisor to the Carter administration, Zbigniew Brzezinski provides an "enlightened" neo-realist's summary of America's challenges in the "new world order." [*Note: In the passage selected, I have taken the liberty of highlighting the key themes of the US Council's "Sea-Change" project.]

Unless America pays more attention to its domestic weaknesses a new global pecking order could emerge early in the next century... Accordingly, US policy will have to strike a more deliberate balance among global needs for continued American commitment, the desirability of some devolution of ... regional security responsibilities and the imperatives of America's domestic renewal... More emphasis will have to be placed on cooperation with genuine partners, including shared decision-making in world security issues... Though America is today admittedly the world's only superpower, global conditions are too complex and America's domestic health too precarious to sustain a worldwide Pax Americana. A truly new world order, based on consensus, rule of law and peaceful adjudication of disputes, may eventually become a reality. But that day is still far off. As of now, the [new world order] phrase is a slogan in search of substantive meaning.³³ [emphasis added]

³² Miles Kahler, "The International Political Economy," pp. 150.

³³ Zbigniew Brzezinski, "Selective Global Commitment," *Foreign Affairs*, 70:4, (Fall 1991), pp. 20.

The Council's Links to the Trilateral Commission

In many key respects, the Council's new order vision mirrors that of the Trilateral Commission, which was established in 1973 by powerfully influential private business persons and public officials from the United States, Western Europe and Japan.³⁴ The key purpose of the Trilateral Commission, in the words of one of its founders, David Rockefeller, is to promote greater "understanding and cooperation among international allies."³⁵ Holly Sklar, author of Trilateralism: The Trilateral Commission and Elite Planning for World Management, is more to the point:

[T]he Commission's purpose is to engineer an enduring partnership among the ruling classes of North America, Western Europe and Japan -- hence the term 'trilateral' -- in order to safeguard the interests of Western capitalism in an explosive world. The private Trilateral Commission is attempting to mold public policy and construct a framework for international stability.³⁶

More generally, the establishment of the Commission in 1973 can be seen as an early conscious response of an internationalist-minded business and political class to a declining American hegemony. It is also a recognition of intellectuals from that same international class of the rising importance of Japan and Europe to dominant North-western strategies for stabilizing the international order in rapid transformation.

³⁴ It is perhaps not surprising that the intellectual thrust of the US Council on Foreign Relations' Sea-Change project parallels that of the Trilateral Commission. Many past and/or present members of the Trilateral Commission are regular contributors to Foreign Affairs. Generally speaking, however, the US Council holds more political currency in the United States than what is popularly thought of as an elitist and exclusive Trilateral Commission. For a detailed discussion of who currently belongs to the Trilateral Commission, see Stephen Gill, American Hegemony and the Trilateral Commission, New York: Cambridge University Press, 1990.

³⁵ David Rockefeller, cited in Trilateralism: The Trilateral Commission and Elite Planning for World Management, pp. xii.

³⁶ Holly Sklar, Trilateralism, pp. 2.

The trilateralist goal of fostering greater international cooperation is sought by creating "some type of common vision of how the political economy works, what its key problems are, why these problems exist, how they might be approached collectively, and perhaps solved."³⁷ In particular, trilateralists consume a great deal of effort in attempting to "internationalize" the outlook of its Japanese members. Japan's "different" national political culture, its isolationist and Fascist past, its growing anti-American sentiments, businesses' close alliance with government, and the general lack of "internationalist" minded intellectuals in Japan have caused "problems" for the would-be architects of a trilateral world order. Regarding Japan's isolationist intellectuals, one German member of the Trilateral Commission laments in a recent edition of Foreign Affairs:

[T]here exists no sizable number of Japanese intellectuals, comparable to the Atlanticists in Europe, who genuinely believe in internationalist ideas and common purposes, other than the containment of communism. The few who do profess shared ideals in personal contacts with foreigners or in international forums still tend to conform to mainstream Japanese international opinion in a domestic setting, so as not to be thought of as 'un-Japanese.'³⁸

The "Japan problem" would appear to be the largest stumbling block for the Trilateral Commission, and by extension, the US Council's project for promoting cooperation amongst international "allies." Despite the Council and Commission's strategic long-term planning, in present-day United States Japan "bashing" has become a "politically correct" sport of sorts -- indeed, a popular strategy for getting [re?]-elected to the country's highest political office. On the other hand, Prime Minister Kiichi Miyazawa's recent

³⁷ Stephen Gill, "Intellectuals and Transnational Capital," Socialist Register 1990, Ralph Miliband et. al. (eds.), London: Merlin Press, 1990, pp. 300.

³⁸ Karel van Wolfren, "The Japan Problem Revisited," Foreign Affairs, 69:4, (Fall 1990), pp. 51.

comments that Americans "lack a work ethic," are lazy and partly illiterate do little to promote friendly relations between "allies." Neither does America's persistent negative \$40 billion trade [im]balance with Japan. In fact, if one was to typify American-Japanese relations in a word it would most certainly not be jovial. Which of course brings us to two over-riding questions: to what extent, and for whom, can a "new" world order be planned by cloistered elitist intellectuals from the US Council or the Trilateral Commission? Indeed, "the key question ... is whether contradictions can be politically managed, and if so, by whom and for what purposes?"³⁹

III. Co-Operation and Conflict in the New World Order: The Kautsky-Lenin Debate Revisited and Recast

A truism about the New World Order is that it is economically tripolar and militarily unipolar. [Noam Chomsky] ⁴⁰

There is little doubt that for an "organic" trilateral alliance to become Gramscian hegemonic would require a great deal of intra-elite and cross-national cooperation between different national and international fractions of bourgeoisie social forces from Japan, the United States and Europe. The cooperation that trilateralism would necessarily entail is believed to be impossible in orthodox Marxist interpretations of capitalist restructuring. Marxists generally reject the notion that ruling classes can consciously and strategically plan, via world order designs of the US Council, the institutional underpinnings for a "new world order." They maintain that capitalist world order has little to do with the consciousness of policy makers, or the articulation of a persuasive ideology. For orthodox Marxists, world "order" --

³⁹ Stephen Gill, "Intellectuals and Transnational Capital," pp. 296.

⁴⁰ Noam Chomsky, "New World Order?" Guardian Studies, April 1991, pp. 9.

to the degree that one can speak of order in a situation of perpetual international anarchy, constant economic and political crises and disorderly inter-imperialist rivalry -- is produced by **material** not **ideational** forces. They assert that Gramscian followers' preoccupation with the articulation of neo-liberal ideology is an idealist account of ideas determining economic policy. For Marxists, world order is purely accidental not purely design. In short, orthodox Marxists reject Gramscian political economy because it is believed to over-emphasize the power of ideological structures (idealism) at the expense of material forces (economism) in accounting for international capitalist restructuring.⁴¹

In defence of the Gramscian perspective, Marxian theoretical orthodoxy is rejected on the grounds that it tends to under-estimate or marginalize the "hegemony as consensus" problematic addressed by Gramsci, while over-emphasizing the economically determining variables of **the system**. Gramscian-influenced scholars contend that radical transformations in the global political economic order cannot be simply reduced to, nor understood as, the product of intensified "super" imperialist rivalry. The Marxist schema, as recently suggested by Peter Burnham that, "restructuring of accumulation occurs in a context of inter-imperialist rivalry in which nation-states seek temporarily to overcome the contradictions of the capital relation which are manifest in uneven development"⁴² is believed to have been superseded by emergent global production and class structures. In a transnational world capitalist system where social power is increasingly

⁴¹ For an orthodox Marxist critique of Gramscian political economy, see especially, Peter Burnham, "Neo-Gramscian Hegemony and International Order," Capital and Class, 45, (Autumn 1991), 73-93.

⁴² Ibid., pp. 81.

concentrated in agencies which operate across, as well as within national boundaries, it is believed to be very problematic to see the world in terms of competing national capitalisms of the classic imperialist theories:

[M]any socialist perspectives on international relations have failed to develop in such a way that they are able to capture adequately the nature of global transformations. This is perhaps because many recent writers have been constrained by the dominant heritage of earlier theories of imperialism. The classical theories of imperialism -- inspired by Lenin, Bukhairn and Hilferding -- were developed at a period when interaction between nation-states, acting in a militarist-mercantalist way to further the interests of their own monopoly capital, seemed to be the primary manifestation of international conflict. Most classical views have a tendency to reify the interstate system, seeing national capitalist classes and states as particular and relatively fixed configurations in a wider system of permanent inter-imperialist rivalry and crisis.⁴³

The point to be made is that imperialist theories -- defined classically in terms of inter-nationalist rivalry, territorial conquest and military expansionism -- have theoretical defects when applied to the contemporary case of international restructuring. Although conflict amongst nations remains central to our understanding of what is likely to replace the old Pax American order, it is a new conflict which transcends the boundaries and schema of old state-centric theories and political practices.

The contemporary ideological divide between orthodox Marxists and "revisionist" Gramscian scholars has its roots deeply situated in the famous World War I Kautsky-Lenin exchanges. In 1914 Karl Kautsky argued, in heretical fashion, that the progressive development of capitalism could eventually lead to a phase he called "ultra-imperialism," a phase of capitalist development in which rival capitalists of disparate political and national creeds would set aside their individual differences and join mutual forces

⁴³ Stephen Gill, "Intellectuals and Transnational Capital," pp. 294-295.

together in combating the Marxian tendency for the rate of profit to fall.⁴⁴ Kautsky was of the opinion that a stable and cooperative organization of relations amongst dominant rival capitalists could be achieved on the grounds that greater economic cooperation would inevitably lead to greater forms of political cooperation. Thus, for Kautsky, it was possible to conceive of a day when an internationalist "coincidence of interests" amongst capitalists developed. While not eliminating capitalist conflict altogether, Kautsky believed this coincidence of interests would significantly mitigate some of the more destabilizing tendencies inherent in a capitalist mode of accumulation.⁴⁵ The type of cooperative world order structure advanced by the intellectuals within the US Council on Foreign Relations would most closely approximate a neo-Kautskian interpretation of "advanced" capitalist development.

In counterpoint to Kautsky, Lenin argued in his classic 1916 work Imperialism, The Highest Stage of Capitalism, that capitalists could never fully set aside their individual differences or meaningfully cooperate with one another, let alone create a Kautskian-type stable world regime for capitalist accumulation. Arguing on more classical Marxist ground, Lenin claimed that crises tendencies inherent in the capitalist mode of production and accumulation, in conjunction with the Marxian law of uneven development, always compel capitalists of one country to seek gain at the expense of others. Sticking to Marx's dictum that "one capitalist always kills

⁴⁴ According to Marx, the rate of profit tends to fall because, with the advance of technology, more capital is progressively invested in "fixed" (i.e., machinery, production materials and processes) as opposed to "variable" capital (i.e., workers' wages).

⁴⁵ See Karl Kautsky, "Ultra-Imperialism," re-published in New Left Review, 59, (January-February 1970), pp. 41-46.

many," Lenin contended that national capitalisms engage in cut-throat zero-sum competition in order to exploit market share, secure access to raw materials, and therefore ensure their own competitive advantage. For Lenin, the underlying and incessant profit motive driving capitalist accumulators negates Kautskian-type cooperation and affirms inter-imperialist rivalry (ie. "international anarchy") as the "normal" state of affairs governing the relations of the dominant imperialist powers. Neo-Leninists view the fragmentation of the world economy into three power blocs centred on Japan, the United States and Germany as an affirmation of Lenin's classical Imperialism treatise.

In this section, I look at both the evidence for and against capitalist co-operation in a post-Cold War system. My suggestion is that both neo-Kautskian tendencies (i.e., international economic forces) and neo-Leninist elements (i.e., national political forces) are dialectically impacting the global political economy. Thus, it is argued that the central dynamic responsible for restructuring the contemporary world economy consists in the tensions arising between a politically divided world of different sovereign nation-states and social forces which operate on a trans-national or global basis. This dialectic, I believe, is suggested in the struggle now being waged at the global level which pits internationalist-oriented social forces who favour an "open" global political economy *vis-a-vis* the neo-liberal economic programme against those more nationally-oriented social forces whose interests, perspectives and desires are served by a more parochial state-centred, neo-protectionist policy. As Holly Sklar puts it:

[A] struggle is being waged between the factions of the capitalist class whose vested interests are served by protectionism and super-militarism and the global banks and corporations whose profits and power depend upon

international free trade [...] What is occurring is not just a battle over short-run profits and power alignments. [...] We are seeing a struggle over the shape of the national division of power, the international division of power, and the nature of the role of the state in the process of capital accumulation for the coming decades.⁴⁶

The current conjuncture, then, cannot simply be understood in exclusively Kautskian or Leninist terms; it is a case of both cooperation and conflict, not simply cooperation or conflict. In key policy areas, however, I would be willing, with some qualified hesitation, to hazard the thesis that collusion rather than collision of dominant capitalist interests is winning the day. Thus, a new multilateralist structure for managing the contradictions of the world capitalist system is beginning to emerge, but certainly not without many unintended and unforeseen consequences. Indeed, a triumvirate structure for world order centring on the European Community, Japan and the United States may be organically evolving not because of the conscious planning efforts via the intellectual modicums of the US Council on Foreign Relations. Rather, a "triad" world order structure is emerging because no single power acting alone can ensure the stability of the world economy in rapid transformation.

Managing But Not Resolving the Crisis

Governing elites in the industrialized world are ever cognizant of the painful fact that it is becoming more problematic to formulate a coherent national economic plan, trade and industrial strategy in light of the transnationalization of production, internationalization of capital circuits and the growing interdependence (or more to the point **dependence**) of their national economies. Since the collapse of the Bretton Woods monetary order

⁴⁶ Holly Sklar, Trilateralism, pp. 579.

in 1971, the sped-up processes of global integration and dependence have generally meant that the business cycles of the developed market economies have become increasingly synchronized. To paraphrase David Gordon, when one economy sneezes, others echo. For instance, the Japanese economy, which has grown steadily and rapidly for 58 consecutive months, has finally begun to contract as the American economic slow down (more like shut down) becomes generalized across the entire world economic frontier.

In this integrated world economy, elites of the industrialized world have sought ways to further strengthen the international regimes -- the GATT, OECD, IMF/World Bank, etc., -- which manage their collective dependence. As Charles Jencks observes, "the New World Order is emerging ... as much accidentally as by design, because the formerly 'great powers' must now form coalitions to achieve their ends, and this means negotiation and compromise."⁴⁷ Leaders of the industrial world seek to harmonize, coordinate and/or "fine tune" their disparate national economies in accordance with macroeconomic management concerns. They recognize, for instance, that international coordination and cooperation in key areas of interest and currency exchange rates are vital for managing -- though not fundamentally resolving -- the world's financial crisis. This crisis has been precipitated by a progressive delinking of production from traditional monetary exchange structures. Although trillions of dollars change hands daily in the world's currency, bond, futures and stock exchanges, most of these speculations in paper are "symbolic," creating very little genuine or lasting productive value:

⁴⁷ Charles Jencks, "New World Order: Stone, Paper, Scissors," Marxism Today, February 1991, pp. 15.

In today's world economy, the 'real' economy of goods and services and the 'symbol' economy of capital, money, and credit are no longer bound tightly to each other. They are indeed moving farther and farther apart. World trade in goods and services amounts to around \$3 trillion a year. But the London Eurodollar market alone has a yearly turnover of \$75 trillion, a volume at least 25 times that of world trade. [...] The translation mechanism has broken down.⁴⁸

Aided by "super" computer-enhanced technologies, financial capital acts swiftly and decisively to government action and/or miscalculation. Frequently, as happened in the October 1987 "crash" of the New York Stock Exchange, dislocation in one market of the world threatens the stability of another thousands of miles and cultures away. The result of this type of unplanned and pervasive pandemonium in the markets is chronic international financial instability. It is little wonder, then, that faced with the prospect of the "symbol economy" breaking down any day at any time of the day that the world's elite seek to accommodate each other's mutual interests via the international organizations which manage their dependence. However, as Susan Strange convincingly argues, capitalist leaders religiously attend high-power international summits not out of any good will, but because they are all afraid:

Heads of state meet at ever-frequent summits not because they believe much will be accomplished, but because they are afraid. They can see the dangers ahead if the competitive game leads to too much conflict or too little control over market forces. Summits are a kind of ritual reassurance. [...] Together with the protestations of goodwill at successive summit meetings, ... suggests that there is some basis for Kautsky's notion of the ... avoidance of damaging conflict and the resolution of differences. **Yet the competition, with undertones of conflict, remains. [...] There are good reasons for thinking, then, that the increase both in the intensity of conflict and the concern for co-operation are structural and permanent.**⁴⁹ [emphasis added]

⁴⁸ Diana Tussie, "Trading in Fear? U.S. Hegemony and the Open World Economy in Perspective," The New International Political Economy, pp. 89

⁴⁹ Susan Strange, "New World Order: Conflict and Co-Operation," Marxism Today, January 1991, pp. 33.

While proven crisis managers in Washington, Bonn and Tokyo have, at least temporarily, stabilized the world economy, they have not been able to resolve the underlying dynamic roots of crisis. Although they implicitly recognize the need for Kautskian economic cooperation, Leninist political rivalry remains central:

The more thoughtful members of the ruling capitalist class are well aware how chimerical the notion of a rising international of capital is. It is true that in view of the growing complexity and the many pitfalls in the world of global finance, they seek ways to strengthen, or create new, international institutions which can help to minimize the potential chaos they face. But as much as the need is understood in the abstract, and as many steps as have been taken in the hope of greater cooperation, there is no letup in the drive of nations to acquire more power and wealth. **The upshot is that the speeded-up globalization of recent years has not led to harmony. On the contrary... it is itself a product of growing disharmony. Contrary to widespread expectations, sources of tension among the leading capitalist powers have increased side by side with their growing interdependence.**⁵⁰ [emphasis added]

A Pax Nipponica?: Japan in the New World Order

Although many Marxists see intensified inter-imperialist rivalry between Japan and the United States as the central dialectic driving international restructuring, it is not at all clear what would motivate Japan to want to usurp the Americans as moral guarantors of a new world order. As Americans are now painfully finding out, the costs of bearing a global hegemony are born by the state and its citizenry, while the majority of the benefits are absorbed by multinationals which are reluctant to swear their political allegiance to any flag. In other words, the hegemon in this new system does not necessarily reap the same benefits it once did when contrasted with the previous Pax Americana order.

⁵⁰ "Globalization - To What End?: Part I," editors, Monthly Review, 43:9, (February 1992), pp. 1-2.

Not surprisingly, Japanese political elites are more than a bit ambivalent about challenging the pre-eminence of the United States. A fundamental challenge to US monetary hegemony, for instance, would require that Japan undermine the status of the US dollar as the world's reserve asset. The probability of Japanese monetary revolt appears highly unlikely, given that Japan would not want to provoke an economic war with the United States which, as all analysts agree, would be devastating to both economies. Figure VII illustrates that, while the "internationalization of the yen" has increased dramatically over the past fifteen years, the yen still only accounts for 8% of foreign exchange currency holdings, compared with 60% holdings denominated in US currency.

Figure VII.
% Share of National Currencies in Holdings of Foreign Exchange

	<u>1975</u>	<u>1983</u>	<u>1989</u>
	-----percent distribution-----		
US Dollar	79.4	71.4	60.2
Japanese Yen	0.5	5.1	7.9
German mark	6.3	11.8	19.3
Pound Sterling	3.9	2.5	2.7
All others	9.9	9.3	9.9

Source: "Globalization - To What End?: Part II," Monthly Review, 43:10, March 1992, pp. 9.

Although the central role of the US dollar as the key international currency has declined significantly in the past fifteen years giving rise to a "new" multicurrency international order, the dollar is still the world's most prized and sought after currency in both the formal and underground economies.

In other matters beside currency, however, Japan has also appeared ambivalent about challenging the United States. In trade, the Japanese have been known to go out of their way to boost imports from the United States in order to placate rising protectionist sentiments within American congressional and security circles. In fact, in many instances, the Japanese have seemed rather content to ride on the coat-tails of American economic malaise (although the Bush administration of late does seem tired of Japan's so-called "free-riding"). As for assuming the reigns of global leadership, therefore, perhaps the president of the Japan Economic Research Centre think-tank in Tokyo put it best for himself, his office, and possibly even his political superiors: "I have mixed feelings about being a dominant economic power. [...] We hope the United States can recover and Japan will be the second fiddle. Being Number 2 is really quite pleasant."⁵¹ Furthermore, for all its economic prowess, Japan still lacks a sufficient "power-over" capacity to enforce its will on the world stage -- provided of course it even had one to enforce. Like Canada, the "vital core" of Japanese foreign policy is headquartered in Washington, not Tokyo. The implicit understanding, albeit not without its tensions, seems to be that the boys in the Pentagon draft the plans for a US-dominated "new" world order and Japan should willingly foot much of the costs. Though the relationship between the Americans and the Japanese is far from cozy -- as the on-going bitter "car war" struggles and excessive amounts of xenophobic-induced Japan "bashing" by US presidential hopefuls demonstrate -- we should not expect a Pax Nipponica to replace the Pox of the Americans any time soon.

⁵¹ Yutaka Kosai, cited in International Economic Policy: Beyond the Trade and Debt Crisis, Toronto: Lexington Books, 1989, pp. 108.

More by American default than by the US Council's grand design, in fact, Japan has emerged on the world stage to take a greater leadership role commensurate with its economic superpower status. At the insistence of the United States, Japan's special "roles" in assuring the stability of the prevailing financial and political status quo would appear to be fourfold: i) stabilizing America's persistent budgetary shortfalls; ii) propping up, from time to time, a plummeting American dollar; iii) acceding to, and paying for, America's militarist adventures abroad, and iv) providing the consensual "carrot" for Third World development. It has been suggested that the Japanese contribute anywhere up to 40% of the annual funding of American budget deficits, thereby helping to stabilize the international economy in rapid transformation. As of January 1992, America's national debt -- money the American government owes to its own citizens in its own currency -- stood at **\$3.6 trillion**. To date, Japan, and to a lesser degree Germany, have successfully absorbed the "shocks" of American monetary policy, including partly financing Reagan's arms race with the "evil empire" during the "second" Cold War in the 1980s. Although the message is slow to be received in Washington, it is resoundingly loud and clear every place else: the United States no longer has the economic clout to unilaterally run a hegemony in and on its own terms. The net effect of a combination of persistent budgetary deficits, inflationary defence spending, crippling domestic and international recessions (especially 1979-1982 and the present), and poor macroeconomic performance throughout the decades of "restructuring" graphically demonstrate that the "limits of the globally possible" are changing, even for the Americans. American dictate is giving way to "allied" compromises in managing a new world and its troubles.

Yen for Development

In addition to bank-rolling America, Japan has also been coming round, albeit slowly, to the idea disseminated by members of the Trilateral Commission (among others) of recycling some of its huge current account surpluses, particularly with the United States, back into the international economy. The trilateralists view Japan's "special" role as managing the Third World debt crisis via the IMF/World Bank/Paris group:

A general capital increase of the World Bank has been agreed but has yet to be fully subscribed. To function effectively, the IMF will need a significant increase of quotas sooner rather than later. It is important over time for voting rights in these institutions to reflect relative international economic weight. This requires periodic revisions of historically established shares for specific countries or specific groups of countries as their roles change in the world economy. In the current negotiations about IMF quotas, Japan's share should be increased while, for example, the shares of the United States, the United Kingdom, and developing countries as a group should be lowered.⁵²

It is extremely important to note that Japanese contributions to the World Bank and the International Monetary Fund, in support of the Baker (now Brady) initiatives for Third World debt restructuring and reduction -- not forgiveness -- respectively, have steadily increased during the 1980s. The fact that Japan is now the world's leader in monetary contributions to the IMF/World Bank -- eclipsing even the United States in 1989 -- demonstrates that the influence of the Trilateral Commission, while in precipitous decline ever since the Reaganite revolution turfed out Jimmy Carter's trilateralists, still informs key decision-makers of the capitalist world from time to time. As the Globe and Mail recently reports, Japan has in fact taken over America's role of the world's banker of last resort:

[F]or better or for worse, Japan is already the world's banker and lender of last resort. [...] Japan is in a position to supply 80 per cent of the \$1-trillion that the

⁵² Trilateral Commission, International Financial Integration: The Policy Challenges, (Triangle Papers # 37), New York: Trilateral Commission, pp. 21.

World Bank estimates will be needed over the next decade to rebuild Iraq and Kuwait, restructure the economies of Eastern Europe and the Soviet Union, and shore up the U.S. budget deficit. [*Another way of saying the same thing is that all other lenders combined are unable to supply more than 20 per cent of the world demand for capital in the 1990s.] **If the Japanese economy remains healthy ... it will be in a position to pick up the bills.**⁵³ [emphasis added]

Figure VIII illustrates that in stark contrast to the declining official development assistance (ODA) of most other industrialized nations, (particularly the United States), Japan's share of the industrial countries' ODA has risen significantly since 1960. Japan now accounts for just slightly under one-fifth of all industrial countries' ODA, compared with the United States 17.0%, France 11.46% and Germany 11.0%, respectively.

Figure VIII.
Official Development Assistance: Industrialized Countries

	<u>1960</u>	<u>1970</u>	<u>1989</u>	<u>ODA (1989)</u>	<u>% Share</u>
	---- percent GNP ----			(\$ millions)	
USA	.56	.31	.15	7,659	17.0%
Japan	.22	.23	.32	8,949	19.9%
UK	.56	.42	.31	2,587	5.74%
Canada	.16	.41	.44	2,320	5.15%
Germany	.38	.33	.41	4,949	11.0%
France	.21	.46	.54	5,162	11.46%
Italy	.19	.17	.42	3,613	8.02%
Sweden	.06	.41	.97	1,799	4.00%
Netherlands	.38	.60	.94	2,094	4.65%
Average	.33	.35	.32	45,030 *	

Note: * ODA for industrial countries total does not include the Soviet Union.

Source: Human Development Report 1991, United Nations Development Programme, New York: Oxford University Press, 1991.

While a large percentage of Japanese aid still tends to focus on developing its Pacific ties -- only 18% of Japan's ODA went to less developed

⁵³ "Japanese Economy Grows for 58th Straight Month," Globe and Mail, (October 1, 1991), pp. B 11.

countries outside of the Pacific Rim in 1989 -- Japan's aid has progressively become more international and less tied. Debt-ravaged sub-Saharan Africa, for instance, received \$900 million from Japan at the end of the 1980s, compared with just \$130 million at the beginning of the decade. As European, American and Soviet aid to the developing world dries up in expectation of their stepped-up efforts to reorient their own economies, Japan will undoubtedly come under greater international pressure to shoulder more of the development "burden." Whether Japanese politicians will decide to follow the American lead and use its increased leverage in international organizations as a further extension of its foreign policy, however, still remains to be decided. As Japan's business interests now span the globe, we can surely expect its political leaders to become more internationally sensitized.

IV. America In a New World Order

This idea [about the new world order] of the Pentagon seems a new but sad and weak American dream. No reasonable person can underestimate the actual, and more important, the potential strength of the United States. But entrusting its dream to the armed legions brings to mind ... the fall of the Roman Empire. Unfortunately, that lasted a long time and was accompanied by unspeakable atrocities. [Il Manifesto] ⁵⁴

One of the key aspects of the US Council's blueprint for a new world order is the assumption that a stable and efficient "polycentric world" requires the collective leadership of Japan, the European Community and the United States. While enviable in theory, it is quite likely that the Council's long-term cooperative vision will be subverted by the short-term re-election interests of the republican party itself. The Marxist scholar, Fred Bloc,

⁵⁴ Cited in the Globe and Mail, March 13, 1992, pp. A17.

provides a useful commentary applicable to the tensions arising between the short-term perspective of national politicians and the long-term interests of international capitalists:

In situations ... where state managers are pursuing neomercantilist policies and the internationally oriented business community is ... urging greater international cooperation, it often remains unclear which group's policies are the more enlightened -- that is, which are more sensitive to the long-term interests of capitalism. Neither group is responding to the needs of capitalism as a system; each is acting on its own short-term and long-term interests. The state managers are pursuing policies they regard as necessary for their continued exercise of political power, while the internationally oriented business interests are acting to insure their direct stake in an international economic climate in which they make money.⁵⁵

In fact, the United States' budgetary deficit, current account trade imbalances (particularly with Japan), increasing xenophobia and rising tendency to blame everyone else but itself for its economic troubles have created enormous logistical problems for the kind of multilateralist cooperation envisioned by Foreign Affairs' visionaries. As Stephen Gill argues, "there is very little to suggest that the US leadership is conscious fully of the need to reconstruct a more cooperative, consensual and coordinated form of international leadership, at least with its key allies in Western Europe and Japan."⁵⁶ America's faltering economy is creating an internal erosion of self-confidence in its ability to lead. As Shafiqul Islam argues, pervasive economic uncertainty and insecurity in the United States have fueled American jingoism, which all too frequently leads to the absurd, reactionary politics of xenophobia:

⁵⁵ Fred Bloc, "Trilateralism and Inter-Imperialist Conflict," Trilateralism, pp. 529. Bloc maintains that "state managers" are preoccupied with three interrelated goals which legitimize their political rule: i) securing the nation's position within the international state system ii) maintaining or restoring reasonable levels of economic activity and iii) building or preserving a political base of support that extends into the subordinate classes.

⁵⁶ Stephen Gill, "Reflections on Global Order and Sociohistorical Time," pp. 294.

America's 'Japan problem' is not the trade deficit or direct investment, or burden sharing, but the economic ascendance of Japan at a time when America has lost confidence in its ability to compete on a level playing field. This loss of self-confidence and the failure of American leadership have produced a national insecurity that is being transformed into a hostile rhetoric, and, too often, absurd policies.⁵⁷

Of crucial importance to the evolving contours of the world order is the outcome of key policy debates currently raging amongst and across the different nationally and internationally oriented fractions within the ruling political and economic classes in America. Broadly speaking, nationalist social forces in the United States are associated with: the security apparatus, including strategic military industrial complexes and intelligence services; internationally non-competitive industries, which rely for their survival on state subsidies and protectionism; and the American public sector. In contrast to the nationalists, the identification of internationalists' interests to the United States is less black and white. The internationalists, because of their corporate interests, possess an ideological view-point which tends to be more global in its vision than that of the more parochial-centred nationalist sentiments within the American political economy.

In recent foreign policy, trade and industrial economic development debates, it is possible to detect a rapidly growing schism between the internationalists who favour pursuing long-term multilateralist objectives, and those nationalist social forces in American political culture who favour a more unilateral and-damn-the-rest approach. The key debates and tensions between domestic internationalists and domestic nationalist forces can be summarized, respectively: in foreign policy, internationalism vs.

⁵⁷ Shafiqul Islam, "Capitalism in Conflict," Foreign Affairs, 69:1, (January 1990), pp. 182

isolationism; in trade, multilateralism vs. unilateralism; and in economic development strategy, protectionism vs. free trade.

In the foreign policy debate, it is important to note that in a recent public opinion poll 62% of the American electorate and 97% of its leaders continue to favour an active US role in the post-Cold War world. As the serial publishing the poll asserts, "American global preeminence may be diminishing, but America is not abandoning internationalism."⁵⁸ Under Bush, the United States has in fact pursued a foreign policy likened to "pragmatic transnationalism." Unlike the previous Reagan-rights, the Bush administration has been much more willing to use and strengthen international institutions for the purpose of maintaining global order and stability (if only for the purpose of lending legitimacy to American foreign policy initiatives). Hence,

by late 1989 Bush and his Secretary of State, James Baker III, [were stressing] more comprehensive co-operation with the major allies (especially Japan and Germany), [including] a move towards an internationally defined reconstruction of the European political settlement. A large number of plans are currently emanating from government and business circles designed to rebuild Eastern Europe and the Third World politically and economically. [T]hese initiatives imply the multilateralism of financing with large contributions from US allies, especially Japan.⁵⁹ [emphasis added]

The implied reference is that America has the brain power and the necessary imagination for designing world order strategies, but its brain-stormers sorely lack the material resources to implement their plans.

In trade, it is possible to discern a three-pronged "strategic" approach:

In areas where the United States believes it has solid comparative advantage -- agriculture, services, direct investment and intellectual property rights -- the Bush Administration is still using a multilateral approach to trade

⁵⁸ John Rielly, "Public Opinion: The Pulse of the Nineties," *Foreign Policy*, 82, (Spring 1991), pp. 82.

⁵⁹ Stephen Gill, "Intellectuals and Transnational Capital," pp. 299.

negotiations under the GATT's Uruguay Round. When it comes to specific sectorial interests -- mostly in manufacturing, high-tech or low-tech -- the administration is using a unilateral approach. Finally, the overall trade policy seems to be guided increasingly by 'bloc-ism' and bilateralism.⁶⁰ [emphasis added]

A good healthy dose of liberalization when and if it meets the needs of the ruling political and economic elites; otherwise, the tried and trued policy of protectionism and sectorial "imperatives" prevails.

Finally, in the industrial economic development debates in the United States one detects a general loss of faith in the neo-liberal *laissez-faire* strategy. The strongest support for a state interventionist policy comes, not surprisingly, from the internationally non-competitive sectors within the American economy, including, most prominently, the American automotive industry. Here it is important to note that approximately 75% of America's trade deficit with Japan is accounted for by automotive manufactures. In line with this powerful lobby, economic theory is now actually creating support for a protectionist industrial development strategy via "strategic" trade, American "content" requirements, and sectorial trade initiatives.

At the present time, it is not entirely clear which set of social forces -- nationalist or internationalist -- will prevail in the United States. Although highly fluid indicators, the violent regeneration of American politics following the Gulf War, the tendency to blame anyone foreign for its own economic woes, the "fast-tracking" of the North American Free Trade Accord (NAFTA), and the various re-election schemes to put "America first" would suggest that nationalist forces, at least temporarily, have gained the upper hand. Thus, the prosecution of the Gulf War may be interpreted as a nationalist backlash by the military-industrial establishment and certain

⁶⁰ Shafiqul Islam, "Capitalism in Conflict," pp. 175.

rightist forces in American society against domestic internationalists. In a similar fashion but different context, the Bush administration's decision to put North American trilateral free-trade negotiations with Mexico and Canada on the so-called "fast-track" to counter similar trading blocs apparently emerging in the Pacific Rim and "Fortress" Europe may be further indication that the teeter totter's balance is tipping in the nationalist's favour.

The prevailing sombre isolationist mood in Washington is particularly nasty in regard to the Japanese, who are consistently portrayed by the far American right (and increasingly by the democratic "left") as the "enemy," engaging in discriminatory and "predatory" trade practices. According to one public opinion poll recently published in Foreign Policy, 60% of Americans feel that Japan is the most pressing foreign policy "problem" for the United States, anticipating that Japan's growing economic "prowess" will be a more critical security threat to America's vital interests and national security in the next ten years than a military threat, broadly conceived. Also significant is the fact that about 75% of the American public and its leaders believe that Japan practices "unfair" trade with the United States.⁶¹ Collective leadership, central to the purpose of the US Council's blueprint for a new cooperative world order, is indeed hard to fashion.

As Bush is pushed even further rightward to secure his nomination for the 1992 presidential campaign by his ultra-conservative republican challenger Patrick Buchanan, the great fear is that the great nation will retreat inward and pursue introverted rather than extroverted foreign policy initiatives. In the current presidential election campaign, it is significant to

⁶¹ See John E. Rielly, "Public Opinion: The Pulse of the Nineties," Foreign Policy, 82, (Spring 1991), 79-96.

note that any issue even remotely smacking of foreign aid has been ideologically shunned by republican and democrat alike as the presidential hopefuls set their election sights inward. Meantime, monies already earmarked for the IMF and additional increases for UN peacekeeping exercises have been balked at by the US congress. The consensus reached among America's leaders, its intellectuals and the public at large seems to be that the country's extensive foreign commitments have brought on its domestic decline. As Paul Kennedy's enormously popular treatise of American declinism entitled, The Rise and Fall of the Great Powers: Economic Change and Military Conflict from 1500 to 2000 puts it, "in the largest sense of all, ... the only answer to the question increasingly debated by the public of whether the US can preserve its existing position is 'no!'"⁶² With the Cold War winding down, Americans widely perceive that the United States is now a globally over-stretched power. As a consequence, the country's leaders are under increasing pressure to put domestic renewal, not foreign policy, first.

Contemporary American introversion closely approximates Alan Cafruny's development of Gramsci's interpretation of minimal hegemony:

Minimal hegemony refers to a regime under which the rulers do not wish to lead anybody, i.e., they do not wish to concord their interests and aspirations with the interests and aspirations of other classes. They wish to 'dominate' and not to 'lead.' Important contradictions have developed between the interests of the ruling and subordinate groups. [...] The ruling group is no longer strong enough to devise policies capable of serving common interests. [...] The regime is unstable and lacks integration. [...] What is lacking ... is the ability of either the ruling group or the opposition to resolve contradictions at the economic-political level, resulting in a process of drift and chronic instability.⁶³

⁶² Paul Kennedy, The Rise and Fall of the Great Powers: Economic Change and Military Conflict from 1500 to 2000, New York: Random House, 1987, pp. 533.

⁶³ Alan Cafruny, "A Gramscian Concept of Declining Hegemony: Stages of U.S. Power and the Evolution of International Economic Relations," World Leadership and Hegemony,

America's "drift," defined in terms of an increasingly narrower view of its self-interests, underscores the fact that Gramscian "intellectual and moral leadership" functions of global hegemony have largely been abandoned by the Americans; or else, as the Gulf War highlights, are provided but in extremely contradictory and self-serving ways -- usually at the expense of its international "allies." For Stephen Gill, the tendency of the US to pursue "power-over" rather than consensus-building strategies for world order highlights the US's loss of Gramscian hegemony. More substantially, it probably signifies a malignant shift to a more Pentagon-like preponderant power interpretation of hegemony:

It seems that the United States has decided that the form of hegemony it prefers is less Gramscian (i.e., consensual, legitimate) and more narrowly Realist (i.e., based upon dominance and supremacy). Whether this can be the foundation for a stable, let alone a more legitimate and authoritative world order, is, ... rather doubtful.⁶⁴

The Persian Gulf War: The Last Gasp for a Dying Hegemon?

In the run-up to the 1988 presidential election, George Bush promised to the American public that he would "make kinder the face of the nation and gentler the face of the world." Since his inauguration, however, the Bush administration has pursued an aggressively interventionist, unilateral and violent foreign policy. In Nicaragua, Panama, and most recently in the "liberation" of Kuwait, America has shown itself not to be kinder or gentler, but more violent than ever.

In the lead-up to the Gulf War, George Bush proclaimed to the world that "we [America] seek ways of working with other nations to deter

International Political Economy Yearbook Volume 5, David Rapkin (ed.), Boulder: Lynne Rienner Publishers, 1990, pp. 106.

⁶⁴ Stephen Gill, "Reflections on Global Order and Sociohistorical Time," pp. 310.

aggression, and to achieve stability, prosperity and, above all, peace." Underlying Bush's statement is the implied reference that the stability of the global economic system and the welfare of global security requires the political commitment and cooperation of the dominant capitalist powers. As an experiment in devolving leadership responsibilities down to its "allies" for defence of global security, however, the "Desert Storm" operation was not the unqualified success which the Bush administration was seeking. To be sure, holding together the "allied" coalition while seeking the blessing of the United Nations to wage war on Iraq were major coups for the United States diplomatic core.⁶⁵ Despite the admirable performance by the diplomats, however, tensions amongst the "allies" in America's efforts to coax them to go to war ranged from typical British and Canadian pro-Americanism to German reluctance, French hesitation and Japanese recalcitrance. Regarding the latter's wishy washy should-we-go/should-we-not stance, the general perception in the United States was that Japan did not "pull its own weight." Japan was once again portrayed as a "free-rider." Americans generally believe that Japan did not take up the full political and strategic responsibilities seen to be associated with their economic superpower status. Although the Japanese contributed \$13 billion to the war effort -- more than Japan's foreign aid programme yearly earmarks for Third World development -- the Americans felt that Japan paid too small a price, especially considering that Japan is largely dependent on Mideast oil supplies. Furthermore, in comparison to the American forces assembled (or even Canadians under

⁶⁵ These diplomatic coups did not come without their own social and political costs. Among many others was the Americans agreeing to turn a blind eye on the Soviet military crackdown in the Baltics in exchange for Gorbachev's blessing of the coalition's war aims in the UN's powerful Security Council.

arms for that matter), Japan's late deployment of a tiny self-defence force serving in a non-combative "supportive" role to the coalition powers was almost laughable. Meanwhile, in Japan, the popular perception there was that the Americans unilaterally made the decision to go to war with Iraq fully expecting Japan to finance a major part of the war's bill. As one commentator aptly puts it in describing the friction between Japanese war financiers and American warlords: "in the moment of truth, an economic superpower found itself merely an automatic teller machine -- one that needed a kick before dispensing the cash."⁶⁶ It is also important to note that the strongest internal support for the war in Japan mainly came from internationally-minded Japanese business persons, who severely criticized the ruling liberal democratic party's inability to respond effectively, or play a more leading role in the Gulf crisis.

From a Gramscian view-point, the prosecution of the Gulf War painfully demonstrates mounting -- and perhaps structurally incurable -- materialist and ethico-moral contradictions in the nature of American power in a post-Cold War setting. In terms of materialist capabilities, having to rely on external financing for the Persian Gulf war effort -- including \$37 billion from "friendly" Arab states, as well as an additional \$17 billion from its Western "allies," notably, Japan and Germany -- highlights a growing contradiction between American foreign policy and its on-going domestic economic demise. As Dennis Healy argues:

[I]n the end, the financial weakness of the US is likely to rule out the idea of [re] establishing a Pax Americana in the Middle East or anywhere else outside the Western Hemisphere. Washington could not have afforded such an effort without pledges of aid from its allies ... By the time President Bush leaves

⁶⁶ Yoichi Funabashi, "Japan and the New World Order," *Foreign Affairs*, 70:5, (Winter 1991/92), pp. 58.

office, America is likely to owe the rest of the world a thousand billion dollars, requiring an annual payment of some \$70 billion in interest.⁶⁷

It is indeed highly significant that the Gulf War was the first war this century that the United States felt compelled to ask the international community to help finance. America's growing economic insecurity and rising jingoism prompts Arthur MacEwan to argue that, "George Bush, and those around them have built their policies on the belief that US pre-eminence in world affairs can be reestablished and that it can be reestablished on the basis of military strength."⁶⁸

In terms of ethico-moral concerns, the inclination of the United States to rely upon institutionalized violence in the Gulf rather than pursuing a non-violent consensual resolution suggests a crisis of political legitimacy. In exercising hegemony globally, the "right to lead" emanates from the hegemon's ability to avoid or at the very least, regulate conflict at the international level by providing moral and ideological leadership. According to Robert Cox, hegemony "is inscribed in the mind. It is an intersubjective sharing of behavioral expectations. [...] Social conflict is not eliminated (it never could be), but is institutionalized and regulated."⁶⁹ Dropping "smart" bombs on retreating Iraqi troops in Kuwait is a demonstrably clear sign of hegemonic weakness, not strength. In an expansive or "deep" hegemony, as Gramsci shows, subordinate groups are encouraged to buy into, internalize and share the normative concerns and principles of the dominant, which are presented and defended in universalistic terms. In short, hegemony is much

⁶⁷ Dennis Healy, "New World Order?", The Guardian, April 13, 1991, pp. 6.

⁶⁸ Arthur MacEwan, "Why the Emperor Can't Afford New Clothes: International Change and Fiscal Disorder in the United States" Monthly Review, 43:3, July-August 1991, pp. 89.

⁶⁹ Robert Cox, "Middlepowermanship, Japan and Future World Order," International Journal, 44:4, (Autumn 1989), 823-862.

more than dominance. Contrary to the Bush administration's pronouncements that Americans have "kicked" the habit of the "Vietnam syndrome once and for all," American minimal hegemonic status will likely bring still further displays of violent chauvinism. But, as the Khmer Rouge sixteen years after and Saddam Hussein prove, subordinate nations and peoples are rarely, if at all, beaten into submission.

[A]Morality in the New World Order

In and through the Gulf crisis, the Bush administration attempted to mobilize world popular opinion for waging war against Iraq by appealing to "universal" values of international law, global justice and respect for the individual. The justification for using force -- to "liberate" and restore "democracy" in Kuwait -- served to obfuscate the deeper intent of protecting the "free" world's access to cheap Mideastern oil reserves.⁷⁰

The Gulf War sets an important, if frightening precedent, in defence of an American militarily-dominated post-Cold War international order. That precedent is precisely that the North has the right -- and indeed the moral obligation -- to intervene in the South, by force if necessary, to ensure regional and global security. As Noam Chomsky correctly observes, "the tacit assumption is that the public welfare is to be identified with the welfare of the Western industrial powers, and particularly their domestic elites."⁷¹ Here, as elsewhere, it is important to note in the selective moral defence of this world order of ours, the rising tendency of western leaders toward a wholesale adoption and application of neo-Kantian-type universalistic principles to

⁷⁰ For an excellent discussion of the real intent of the Gulf War, see Peter Gowan, "The Gulf War, Iraq and Western Liberalism," New Left Review, 187, (May-June 1991), 29-70.

⁷¹ Noam Chomsky, "The Struggle for Democracy in a Changed World," pp. 16.

international standards and behaviour of conduct in the inter-state system. Since the end of the Cold War, for instance, leading intellectuals and politicians in the western world frequently assert that the world is now intolerably safer from the threat of war because the dominant states in the system are [liberal] democracies (or attempting to become such) and history somehow "proves" that democratic nations do not go to war with one another. In the ideological defence of the Gulf War, on the other hand, capitalist leaders based their arguments for going to war against Iraq almost exclusively on the claim that western liberal democratic values, traditions and institutions are universalistic principles, which are applicable to, and desirable for, adoption in non-western civilizations too. Thus, the intellectual justification for statist militarism abroad was ideologically conceived on the grounds that the Iraqi invasion of Kuwait violated the sanctity of "good" international behaviour and threatened the general universal interest. Therefore, under the pretext of international law, the recourse to use military force to remove Saddam Hussein, (who was, and still is, afterall, an "enemy" of democracy -- a new "Hitler" in fact) was justified.

World Order or Disorder?

In the wake of the Gulf War, several radical scholars have suggested that the contours of the emerging world order are beginning to take on a trilateral structure. As Samir Amin contends, the Gulf War may further consolidate a triumvirate structure of world [dis]-order:

[T]he war [in the Persian Gulf] may consolidate a triumvirate -- the United States, Japan and Germany. The latter two countries, which contributed heavily to financing of the war, know how to pay America to police a world unified by the market. [...] This new order hardly merits a name of its own; I call it the Empire of Disorder, structured by a strictly military self-concept,

without any vision that would enable it to address the genuine problems of humanity.⁷²

This evolving world order structure would appear to be based upon the relative special strengths and capabilities of the three dominant nation-states in the new international divisions of labour and power -- Germany, Japan and the United States. Craig Murphy puts forward the controversial thesis that in the new order of states,

the United States may end up 'specializing' in building the coercive links, while Japan specializes in building ... economic links, and the European Community specializes in Keynesian assistance to Eastern Europe.⁷³

In both the Amin and Murphy scenario, it would be anticipated that the United States would move forward to become the enforcer of international capitalism, strategically intervening on behalf of the interests of transnational corporate capital whenever, and wherever required. Japan, on the other hand, would continue in its role as the world's banker of last resort, financing America's militarist adventures abroad and domestic deficits back home, thereby restoring confidence in the international financial system. Germany and a uniting Europe, on the other hand, would look after reintegrating the former communist countries of Eurasia back within the capitalist fold.

In this perverse world order -- an order which is without the countervailing military power of the Soviet Union -- American military and intelligence power reigns supreme. With the possible fusion of First and the former "Second" Worlds (excluding China of course), the suggestion is that the United States may be aligning itself in a position to use its uncontested military dominance to establish the coercive link in a trilateral bloc, exacting

⁷² Samir Amin, "The Real Stakes in the Gulf War," Monthly Review, 43:3, (July-August 1991), pp. 22.

⁷³ Craig Murphy, "Freezing the North-South Bloc(k) After the East-West Thaw," pp. 41.

military tribute from its key allies to keep the world "free" from Third World security and international terrorist "threats," both real and perceived. As Stephen Gill asserts,

The United States seems determined to use its vast military power to sustain its global primacy, and shows a willingness to attempt to extract resources in the form of tribute from its allies and clients to pay for it. [...] This type of payment by tribute may become a feature of the emerging world order. [...] The likelihood of this type of strategy being used is increased by the crisis in the Soviet Union, because there is less and less an effective counterweight to the US armed forces in the global military structure.⁷⁴

Stephen Gill's commentary is frightfully re-affirmed in a Pentagon strategic planning paper recently leaked to the international press in March 1992. According to the Globe and Mail, the secret document outlines the Pentagon's strategy for a one-superpower dominated world and also "the need to keep it that way." As The Globe goes on to report, "with chauvinistic insensitivity, the document says the United States must deter rivals 'from even aspiring to a larger regional or global role' by persuading them to remain under 'benevolent' US protection."⁷⁵ While doubtlessly an attempt by the brass boys at the Pentagon to protect their lion's share of the budgetary pie (which ranks second behind social security in terms of GDP expenditure), the document is an ominous barometer in which to gage the current rising mood of protectionism and isolationism now predominate in American political culture. Beyond a doubt, the current pro-interventionist administration in Washington represents the greatest obstacle to a genuine "organic" alliance being formed amongst the dominant three powers in the global political economy.

⁷⁴ Stephen Gill, "Reflections on Global Order and Sociohistorical Time," pp. 294.

⁷⁵ See Globe and Mail, "Candidates Set Sights Inward," March 13, 1992, pp. A1.

The possibility of the United States becoming more receptive to the "rent a global cop" scenario suggested by Stephen Gill, Craig Murphy, Noam Chomsky and Samir Amin (among others) is given even more renewed impetus in recently published US current account deficit figures for 1991. Aided by payments from its Gulf War allies -- \$42.4 billion worth in 1991 -- America's current account deficit with the rest of the world in 1991 came in at a nine year low, just \$8.62 billion, compared with a \$92.1 billion deficit for 1990. Military tribute from the Gulf War contributed to nearly one-half of the drastic decline in the US trade [im]-balance for 1991.⁷⁶ It would seem that the Pentagon, George Bush and the rest of the military industrial complexes in America weathered the Desert Storm quite nicely, profiting handsomely from a "war" that some analysts disparagingly, yet correctly refer to as a "turkey shoot."

But America's power goes even deeper than its raw military might. In a recent article published in Foreign Affairs entitled "Intelligence for a New World Order," for instance, the author anticipates a more symbiotic relationship developing between the worlds of American intelligence services and private American-based multinational corporations located in the South. The author calls for more emphasis on political intelligence and international surveillance of Third World countries in order to provide American transnationals with the latest economic corporate intelligence and political risk analysis.⁷⁷

⁷⁶ See Globe and Mail, "Trade Deficit Hits Nine-Year Low," March 18, 1992.

⁷⁷ See Stansfield Turner, "Intelligence for a New World Order," Foreign Affairs, 70:4, (Fall 1991), 150-166.

Presently, the ominous possibility of state intelligence gathering services being used to further the global political economic agenda of American transnationals looks favourable, if still inconclusive. This possibility is recently suggested in the on-going Congressional debates concerning budgetary allocations for the US military and intelligence services in a post-Cold War setting. While American service personnel and military hardware have been substantially reduced in line with relaxing East-West tensions, state counter-intelligence services have been less adversely affected than one would be led to expect. There is an emerging consensus within CIA circles that with the demise of the Soviet Union and the growing "challenge" of Japan and a uniting Europe to Northwestern world order strategies, the preeminent threat to the US "national interest" now lies in the economic, not military, sphere. In this "new" reality, it is widely assumed that economic and technological domination will supersede military domination. Thus, having access to the best and latest knowledge is crucial for business juggernauts competing in a global marketplace where the only effective limits to capital movement are times zones and where capital, aided by computer-enhanced technologies, acts increasingly faster and decisively to the decisions of politicians. When contrasted with the previous order, then, knowledge and information play more decisive roles in a globally integrated system of production and exchange. Just as knowledge is power, "intellectual capital will continue to occupy an increasingly greater component of production as opposed to material capital."⁷⁸ An appropriate inference to draw would be that state intelligence services will be applied to an even greater extent in the Third World than in the previous order, thereby ensuring that American

⁷⁸ Robert Kreklewich, "North American Integration," pp. 31.

transnationals maintain a "comparative advantage" [economic double-speak for monopoly] in knowledge and protection of intellectual proprietary patent rights in an increasingly meaner competitive world economy.

One Two or Three Blocs?

With the mood in the North turning more protectionist and hostile each passing day, it appears that not even George Bush (or General Schwarzkopf for that matter) can salvage a capitalist order lurching toward consolidation of three regionally integrated economic and trade blocs, centred on the United States (NAFTA), the European Community and Japan (Pacific Rim). The proliferation of managed trade agreements -- it is estimated that nearly one-half of all international trade is under some kind of managed trading system -- underscores the obvious fact that "the global trading system is being determined less and less by market forces."⁷⁹ This triangular geo-fragmentation of the world economy is certainly not the kind of world [dis]-order the Council or the Trilateral Commission's intellectuals envision.

The loss of faith in the industrialized world in *laissez-faire* capitalism raises the haunting specter of a return to a chronically unstable neo-mercantilist world order system similar to the type which prevailed in the turbulent period between the two World Wars of this century. It is a commonly held view among political economists and policy makers alike that should the current Uruguay Round of GATT talks fail -- which are stalled on issues pertaining to the removal of constraints on services, European agricultural subsidies and intellectual property rights -- then the multilateral trade institution, which lays down the rules for \$3 trillion a year

⁷⁹ Robert Kreklewich, "North American Integration," pp. 27.

in international commerce, would be placed in jeopardy. In all likelihood the world economy would fragment along the geo-continental divides of Europe, North America and the Asian Pacific Rim.

As in structuralist dependency theory, one could anticipate a future world order situation in which each of these three "core" regions would dominate politically and economically, extracting surplus from its dependent "satellite" or peripheralized components. Larger unsettled issues in this scenario include questions of emerging militarisms, and perhaps even more importantly, how or where the South would figure into this kind of geo-economic fragmentation of the global political economy. As each mini-bloc would effectively incorporate a South within a North, triangular fragmentation would most likely mean that the "traditional" South (ie. Africa, Latin America, and Asia) would be relegated to an even more subordinate position in the larger North-South system. As Robert Gilpin notes, "there is great danger that a more regionalized world economy will be composed of a few islands of relative prosperity in a turbulent sea of global poverty and alienated societies."⁸⁰

To be sure, capitalist business and political leaders are aware that neomercantilist thinking and protectionist trade practices would have dire consequences for the stability of the world economy. Nearly every article written for the international business community in the establishment press concerning the GATT is parenthesized in terms of the lessons to be drawn from past history, namely, free trade safeguards the stability of the international commercial system, while neo-mercantalism would have a

⁸⁰ Robert Gilpin, The Political Economy of International Relations, Princeton: Princeton University Press, 1987, pp. 400.

destabilizing impact, inciting destructive trade wars, protectionism, "blocist" mentality and even a military confrontation. Thus, leaders in the industrialized North are cognizant of the fact that it would not be in their dominant interests to have the GATT talks fail. It is not surprising, then, that extraordinary efforts have been made to "save the GATT." The fact that the impassed talks have been extended well beyond their expected completion date, and the fact that the GATT negotiating forum has not been abandoned by the dominant states, are indicative of the place of importance a strengthened multilateral trading system has assumed among leaders of the industrialized world. Michael Wilson, Canada's new trade and industry minister in charge of promoting Canada's world competitiveness, for example, is recently quoted as saying that the current round of talks in Geneva represent, "the most critical economic issue facing the international community."⁸¹ Even ex-prime minister Margaret Thatcher, notorious for her ideological disdain of "Continentalism," has recently surfaced in the United States to warn the Americans of the dangers of a world economy fragmented into competing power blocs:

If a European superstate were to be forged, it would almost certainly develop interests and attitudes at variance with those of America. We would therefore move from a stable international order with the United States in the lead to a more dangerous world of new competing power blocs. This would be in no one's interests, least of all America's.⁸²

Yet rhetorical fears of "power bloc" formation initiating a return to heightened neo-Leninist imperialist rivalry appear to be wildly exaggerated. Undeniably there is a movement toward more "regionalized" trade in the

⁸¹ Cited in the Globe and Mail, "Ganging Up on the GATT: Asia Pacific Bloc Puts Aside Differences to Urge Trade Deal," November 15, 1991, pp. B 13.

⁸² Margaret Thatcher, cited in Zbigniew Brzezinski, "Selective Global Commitment," pp. 8

world economy. However, forging closer geo-economic ties does not necessarily mean forging closer political ties; Kautskian economic cooperation does not invariably mean political cooperation. For instance, there is little evidence to support the case that members of the European Community, who are rapidly moving toward an integrated financial market area, are moving any closer to political integration or developing a unified foreign policy. The clear divisions arising among individual Community members' stance over the US prosecution of the Gulf War is a case in point. More recently, the EC's failure to resolve the Yugoslavia crisis has demonstrated its political impotency:

Europe's repeated failures to prevent or stop the fighting in Yugoslavia is stark evidence of the yawning gap between the European Community's goal of political unity and emergence as a great power and the reality of differing national goals and agendas. [...] The 12-member EC, while dreaming of and planning for political union, has as yet no mandate or structures to project a common foreign policy ... nor have members shown much commonality of purpose.⁸³

The general lack of congruency between European economic unification and political disunification underscores the observation that Europe 1992 is not a historical "bloc" in the true Gramscian sense. Nor for that matter, are NAFTA or ASEAN or any others -- at least for now.

Generally speaking, economic [in]security not politics is the driving force behind the global tendency towards regional integration. In the Canada-US free trade negotiations which were signed in January 1988, for instance, it was the much weaker and dependent nation under the corporate directorship of the pro-big business Mulroney administration who zealously pressed for the deal, not the Americans. Canada's historical dependence on the

⁸³ "EC Leaders Fail First Major Test," Globe and Mail, October 7, 1991, pp. A8.

American market -- in 1987, nearly 80% of all Canada's trade was with the United States -- has progressively "continentalized" the Canadian economy. In selling the free-trade package to Canadians, the Mulroney administration was clever enough to exploit fears that if Canada was "shut out" of its largest market, then it would be all over for Canada. Those same fears which the neo-conservatives in Canada played on to further the corporate interests of Bay Street are being exploited by the Mexican government at the present time. Thus, it is the drive for market security in an increasingly insecure world which largely accounts for the regionalization tendencies in the global economy.

The foregoing discussion would therefore suggest a different resolution to the world economic crisis than the one presented by neo-Leninists. The fact of the matter is that the present **transnational** capitalist system is both qualitatively and quantitatively different from the earlier **imperialist** period. National economies are now more interpenetrated via global production and exchange mechanisms. Identifying sources of nation-state power where production is increasingly organized on a global, as opposed to national, scale is problematic. The competitive drive among nations and among transnationals alike is for security, not imperialism. As a consequence, the state has much more complex interests to manage -- particularly the contradictions arising between domestic internationalist and nationalist oriented fractions of the bourgeoisie -- than in earlier periods of capitalist development. In short, although conflict is endemic between and amongst the dominant national powers at the centre of the world capitalist system, transnational social forces acting across national borders remain central to the

shape that the international order eventually takes. All of which begs the question: where does the South fit into a Northern-dominated world order?

IV. Development Without the Cold War: The South in a New World Order

All the world is linked together, inextricably. But it is linked in an asymmetrical and skewed manner. There are links between the North and the South, but the countries of the South are politically, economically, and culturally subordinate to the much stronger and better-organized North. This is true even of the larger countries of the South in almost all exchanges; the relationship is of dependence much more than interdependence. [South Commission: The Challenge to the South] ⁸⁴

A recent editorial in West Africa expressed a great deal of optimism for Third World development prospects in a post-Cold War political economy:

One legacy of the ending of the super-power conflict would ... seem to be that the agenda for [this] decade will be much more one of North-South than of East-West. With a possible fusion of the First and Second Worlds, the Third World now moves centre stage.⁸⁵

All early optimism aside, however, the end of the Cold War has not meant that the Third World has moved centre stage. In fact, despite the return to "normal" relations between East [whatever that is anymore] and West, early indicators point to the troubling fact that the South, particularly the most underdeveloped regions of the South, will be even more marginalized in an evolving Northern determined and dominated "triad" world order structure than the previous North/South system. This disturbing possibility is suggested in the declining percentage in recent years of official development assistance set aside by the industrialized countries for Third World development.

⁸⁴ The Challenge to the South: The Report of the South Commission, London: Oxford University Press, 1990, pp. 8.

⁸⁵ West Africa, "North-South and G-15," February 5-11, 1990, pp. 163.

Nor has the end of the Cold War brought with it the long and widely expected "peace dividend" for Third World development. Given the current desperate situation in Eurasia, the South's peace dividend is not likely to be forthcoming any time soon either. [This despite the perverse fact that there have been 125 wars of proxy fought on Third World soils since 1945, with an estimated loss of 20 million lives]. Already the largest aid package since the Marshall Plan are in the works for the former Warsaw Pact countries. Recently, the floundering republics of the fractured Commonwealth of Independent States secured \$24 billion worth of "tied" aid from the West. No similar "Marshall Plans" have been proposed for Africa, Asia, Latin America, or any other areas of the South. Reintegrating the defunct communist regimes back within the capitalist fold -- **at the expense of Southern development** -- will likely be a major preoccupation for the North for some time to come yet. In short, as the permafrost of the Cold War thaws, the South has been rapidly melting away from the attention of the North. It is clearly not yet Surendra Patel's miraculous "Age of the Third World."

Understandably, the end of Cold War hostilities has not been met with a profuse amount of joy in the South. Rather the typical reaction in the South has ranged from one of ambivalence to get-on-with-it pragmatism. On the one hand, few are likely to miss the insidious division of the South by the superpowers along specious Western capitalist vs. Eastern socialist lines. On the other hand, the disintegration of the Non-Aligned Movement is likely to mean that the collective bargaining power of the South vis-a-vis the more powerful North, albeit sporadic and often-times ill-conceived as it was, will be progressively neutralized as the integral glue of the Cold War comes

totally unstuck; playing the non-aligned card to its advantage is no longer an option for the South.

Though the Cold War is over, there does seem to have taken place a malignant transmutation of Cold War ethos from East-West to North-South terms. The 1990 US Panamanian invasion, as seen in terms of its deeper purpose -- i.e., keeping the Panamanian Canal under American control in order to ensure the "free" flow of trans-oceanic shipping traffic -- and the 1991 Gulf "war" -- i.e., re-securing the North's control over critical oil reserves -- are two stark warning signals that a new Cold War of North against South is heating up. If we consider for a moment the perverse fact that it cost America's "allies" tens of billions of dollars (perhaps even hundreds) more to wage a two month war on Iraq than all of the North's ODA commitments combined to the Third World in 1988, then we get an indication of where the North's first priorities lie in a post-Cold War complex. Furthermore, there was very little or no consultation with the South before the "allies" struck Iraq, despite the obvious fact that higher oil prices would hurt the non-fuel producing countries in the South the hardest. Make no mistake, the "lesson" that recent US military interventions in Grenada, Panama and Iraq sends down to the rest of the South is ominously stated: do not upset the status quo. While disciplinary neo-liberalism is the preferred and less expensive model for keeping the South subordinate to the interests of the North, the United States has shown that it is prepared to use domination by military force to protect its and their "allies" geo-strategic and vital resource interests.

The World Bank and the IMF in the 1990s: New Thinking or Just the Same Old Stuff?

In the 1980s, the North's decision to restructure rather than forgive Third World debt via the Baker, now Brady initiatives, has turned a short-term crisis of finance into a long-term crisis of development in the Third World. Figure IX hits some of the more salient aspects of the crisis.

Figure IX.
Developing Countries External Debt and Debt Servicing Ratio: 1990-1992

	<u>1990</u>	<u>1991</u>	<u>1992</u>
Developing Countries Debt (in trillions of US dollars)	1.3064	1.3622	1.3883
External Debt as % of Total Export of Goods and Services	124.8	125.5	117.6
Debt Servicing Payments* (in billions of US dollars)	161.8	175.0	175.1
Debt Servicing Payments as % of Exports of Goods and Services	15.5	16.1	14.8

Notes: * Debt Servicing Payments refer to actual payments on total debt plus actual amortization payments.

Source: IMF, World Economic Outlook, May 1991, Washington, pp. 192.

The development "disaster" of the 1980s -- and 1990s -- has forced the World Bank and the IMF to re-evaluate (though not fundamentally alter) their neo-liberal model for Third World development. The Bank's belated rediscovery of the "human dimension" of development in its latest 1991 World Development Report (a noticeable shift from the preoccupation of the 1980s when national economies were the obsessive development concern) is generally construed as a positive element in the Bank's "new" look for the 1990s. One would like to believe that the rediscovery of human beings as both subject and object of development in the 1990s will be genuinely sincere,

not just the latest development fad in a series of many disasters to infect the Washington twin sisters.

Important in encouraging the Bank and Fund to at least consider putting a more "human" face on development has been the two Human Development Reports, first published by the United Nations Development Program (UNDP) in 1990. Building on the philosophy of its first report -- namely, that development cannot be measured by national income averages alone -- in the latest edition of the UNDP's report its architects call for a "new human order" and a new "global agenda for human development." In summarizing the UNDP's human development philosophy, the authors contend that,

... the basic objective of human development is to enlarge the range of people's choices to make development more democratic and participatory. These choices should include access to income and employment opportunities, education and health, and a clean and safe physical environment. Each individual should also have the opportunity to participate fully in community decisions and to enjoy human, economic and political freedoms.⁸⁶

In short, the UNDP's conception of human development implies that "men, women and children must be the centre of attention -- with development woven around people, not people around development."⁸⁷

Unlike the World Bank's most recent report, the Human Development Report candidly breaches the hitherto taboo subject of Third World militarism, explicitly linking the militarization of the economy at the tremendous social expense of human development. While academics have long linked underdevelopment with military spending, the UNDP's report is perhaps the most strongly worded critique produced by a respected

⁸⁶ UNDP, Human Development Report 1991, New York: Oxford University Press, pp. 1.

⁸⁷ Ibid.

international body since the relaxation of East-West tensions. As such, the UNDP's critique of military spending in the developing world represents an important departure in international development forums from the ghastly days when the Cold War cast its deathly pall of silence. It would now seem that the North is much more concerned with dis-arming the Third World than arming it. However, dis-arming in a political economy context where coercion is frequently needed to ensure that the IMF "stabilization" package is implemented will likely prove immensely more difficult.

The UNDP also condemns the World Bank's dogma of balancing national budgets, often by squeezing social rather than military expenditures. To curb Third World military spending, the UNDP encourages arms reductions be included in future aid negotiations between North and South. It recommends that aid be "tied" in proportion to GNP spent on the military. Although the report does not explicitly say so in black and white terms, it does implicitly open the door to the future possibility of a military "conditionality" component to be added to the already burgeoning package of strict SAP reforms.

In many areas, the thinking behind the UNDP's Human Development Report is more "progressive" than the World Bank's. In keeping with the more-capitalism-in-the-Third World-the-better-philosophy, the Bank's most recent report does not even entertain the idea that the capitalist system is the source of the world's inequalities, dysfunctions and imbalances. As William Graf notes, development through orthodox trade and market policies via "structural adjustment" effectively denies Southern political economies the privilege to choose their own unique development path:

Adherence to such a strategy negates other roads to development based on autochthonous growth, self-reliance or socialist-collectivist strategies, and locks countries following it firmly into the world capitalist system. Here the export sector becomes the motor for development of exogenously oriented countries and the point of reference (and dependence) the capitalist North.⁸⁸

The view of development from the Bank's skewed vantage point in Washington is an extremely technocratic and ahistorical one. According to Bank pundits, the state's only role in economic development is that of creating an "enabling" environment for the functioning of competitive market structures. For instance, in its latest report, the Bank outlines four critical areas in a development strategy it refers to as "market-friendly." The World Bank's market-friendly approach to development emphasizes: investment in human capital; a competitive domestic economy; making strong and effective linkages with the outside world; and a stable macroeconomic policy. Vinod Thomas, one of the chief architects of the Bank's "new" development strategy, summarizes the plan in these succinct terms: "put simply, governments need to do less in those areas where markets work, or can be made to work, reasonably well. Governments need to let domestic and international competition flourish."⁸⁹

While one would have expected a more balanced and self-reflective report, especially given the development disaster of the 1980s and the end of Cold War hostilities, the pitch of the Bank's free market doctrine has if anything been heightened, not tempered. The Bank uncategorically rejects the insinuation that adjustment failures during the 1980s (of which there are many, especially in Sub-Saharan Africa) were in any way related to its neo-

⁸⁸ William Graf, "Anti-Brandt: A Critique of Northwestern Prescriptions for World Order," Socialist Register 1981, pp. 38.

⁸⁹ Vinod Thomas, "Lessons from Economic Development," Finance and Development, 28:3, (September 1991), pp. 8.

liberal development strategy. According to the Bank and Fund, the failure of adjustment in the 1980s lies not in the adjustment package itself, but in bad timing and sequencing of the reform process. It is now a commonly held view within the development establishment that the lack of coordination between the different elements of adjustment creates unresolvable tensions between "easy" and "hard" reforms.

The current "sequencing" debate of market and political reforms within Bank and Fund circles underscores the fact that the orthodoxy still regards development as a technical, institutional or even cultural problem; there remains a serious ahistorical and apolitical underestimation of the socio-political effects and costs of structural adjustment. This naive technocratic thinking is recently demonstrated in a commentary provided by the new chairman of the IMF's development committee, Alejandro Foxley, Minister of Finance for Chile:

There are many countries where you do not have the entrepreneurial capacity, spirit and other prerequisites for effective privatization. [...] What has to be done in [these] cases is to stimulate, induce, and facilitate the process of emergence of an entrepreneurial class, so that it can take charge of the process of development and of the productive activities in the economy.⁹⁰

Mr. Foxley's comments confirm the suspicion that despite all the Bank's recent talk about "rediscovering" the human dimension of development, the traditional modernization perspective that the Third World needs only to emulate the First still holds powerful ideological currency within the development establishment. Although the Bank's public relations image has changed with the "new" times, there has been no recognizable shift in the Bank's rigid, and seemingly irretractable

⁹⁰ Alejandro Foxley, "Setting the Development Agenda," Finance and Development, 28:3, (September 1991), pp. 33.

modernization paradigm. While the basic tenets of *laissez-faire* capitalism are the subject of intense debate in the protectionist North, in the South neo-liberalism is still widely fomented and applied with repressive zeal. Economic liberalism is still strongly proclaimed at the tremendous social and political costs of destroying, or at the very least, seriously jeopardizing political liberalism. Although many adjusting states have re-introduced the concept of multi-party elections at the insistence of their Northern debt collectors, more political parties is not likely to lead to more genuine democracy. The gap between symbolism and realism is still very large.

In sum, the sad truth of the matter appears to be that the South is rapidly being left behind in a Northern-determined and dominated world order system. A stagnant and uncritical development dialogue is a bleak reminder that the South has largely been forgotten by the North. More conclusively, perhaps, the **unquestioned** passive acceptance of the Washington consensus in the South would suggest that the neo-liberal economic development paradigm has achieved hegemonic dominance in the sense understood by Gramsci.

V. Conclusion

There will be no day of days then when a New World Order comes into being. Step by step and here and there it will arrive, and, even as it comes into being it will develop fresh perspectives, discover unsuspected problems, and go on new adventures. [H.G. Wells] ⁹¹

Despite the trans-nationalizing tendencies in the world economy, the globe is still politically divided into over 160 -- and rapidly growing -- sovereign, conflictual and egotistical nation-states. While economic spaces

⁹¹ H. G. Wells [1942], cited in The Guardian, "New World Order?" April 1991.

have become progressively larger and more integrated in recent years, political spaces have become smaller and more fragmented. In spite of the best efforts of organic intellectuals from the US Council on Foreign Relations to negotiate a stable multilateral political economy mechanism for resolving the contradictions of the system, conflictual relations amongst nations remains central to the question of capitalist restructuring in a "new order." The Council's project is indeed far from realized. In fact, there may be little basis for thinking that the central contradictions of "advanced" capitalism -- namely, contradictions between labour and capital, between economic growth and ecological collapse, between North and South, between genders, between states, between classes, and between fractions of national and international capital -- can be overcome by conscious strategic planning. As Stephen Gill notes, despite a fairly developed economic structure, there continues to be a pronounced underdevelopment of the political structure necessary to sustain a global production system:

Despite the growth of transnational networks of interests and identity, reflected in the activities of private international relations councils, cross-investments, and alliances, and the impetus given to the activities of the UN, the global political superstructure is very underdeveloped. This stands in contrast with economic structures that are tending toward planetary reach, and the brave new world of integrated financial markets and mobile capital whose only substantial boundaries are time zones.⁹²

Kautsky's anticipated "ultra-imperialism" phase has yet to materialize. In the 500 year historical development of the world capitalism system, all attempts -- including Keynesianism's -- at "taming" its contradictions, have failed. It is likely, too, that current attempts will also fail. Despite the rising share of global wealth appropriated by the Global 500 corporate juggernauts,

⁹² Stephen Gill, "Reflections on Global Order and Sociohistorical Time," pp. 296.

an "international" of capital and a "withering away" of the state is still illusory. Messy new "threats" to global security -- i.e., international terrorism, AIDS, a fragile planetary ecology, Islamic fundamentalism, "creeping" nationalism in Eurasia, etc. -- continuously challenge the surgical-like precision planning of the would-be architects of the brave "new world."

Finally, I should also like to say that all this talk about a new world order does not come at a good time for many on the left who are still struggling to come to terms with the "mass" rejection and subsequent dissolution of the state Stalinism in Eurasia. Yet it is of paramount importance for the left to overcome this intellectual and political sclerosis and begin thinking about what kind of new order we would like to see. As I attempted to argue in this chapter, dominant social forces in the global political economy are consciously more aware of the new world -- **and its troubles** -- than the left is willing to concede. Dominant intellectual and political forces in the world system are mobilizing themselves, consciously developing world order strategies which are designed, however imperfectly, to overcome nation-state/international contradictions through long-term strategical planning. Of course, they are not likely to ever fully realize their co-operative project. Although a small consolation, the right doesn't know exactly where it is going anymore either. Nonetheless, the point is that it is trying. The left, on the other hand, does not even know how to make its own global connections, let alone realize a "socialist international" project. It is my contention that the left's inability to think and act globally -- i.e., beyond the seductive bourgeois entrapments of the nation-state, orthodox political parties and practices -- is the legacy of a defeatist working-class-is-the-saviour-of-the-world thinking. There is no monolithic working class, there probably

never was -- and we can be damned sure that there never will be one in the future either. Capturing and turning the nation-state into the worker's paradise is not a viable alternative. Cuba is presently coming face to face with that unwholesome reality. Capital is not bound by the territorial embrace of national loyalties -- and neither should the left.

Of course, we needn't think that the left's demise will be terminable. To revitalize the left, we must begin thinking about what we want in a truly new world order. If we don't, the Pentagon will surely deliver on what they think we need. And now, lastly, since Gramsci has provided the analytical and inspirational framework for this thesis, it is appropriate that the final word about the "new order" should go to him:

The elements of a 'new culture' and 'new way of life' which are being spread around under the American label, are still just tentative feelers. They are not due to a new 'order' deriving from a new basis, because that has not yet been formed. [...] [I]t is not from the social groups 'condemned' by the new order that reconstruction is to be expected, but from those on whom is imposed the burden of creating with their own suffering the material bases of the new order. **It is they who 'must' find for themselves an 'original', and not Americanized, system of living, to turn into 'freedom' what today is 'necessity'.**⁹³ [emphasis added]

⁹³ Gramsci, "Americanism and Fordism," pp. 317.

Chapter Five.

Why We Need Gramsci: Concluding Remarks to Capitalist Hegemony and the 'New' World Order

Of the many meanings of democracy, the most realistic and concrete one in my view can be worked out in relation to the concept of hegemony. [Antonio Gramsci]¹

The problems of the restructured world economy cannot be solved by gung-ho free enterprise and free markets. [Patricia Marchak]²

Nobody would make Descartes responsible for the French colonial wars, nor Jesus for the Inquisition, even less Thomas Jefferson for the U.S. invasion of Vietnam. But it has been made to seem that Karl Marx built the Berlin Wall and nominated Ceaucescu the leader of the Romanian Communist Party. [Michael Lowy]³

Our main problem as social scientists and human beings is not only to analyze what is happening, but also to decide which side we want to be on. [Stephen Hymer]⁴

In this thesis I have sought to demonstrate that concepts developed by Antonio Gramsci in his Prison Notebooks can be practically adapted and applied to the emerging international capitalist order. I have used Gramsci's conceptualization of hegemony as "intellectual and moral reform" in order to account for the reason why conservative intellectual and political forces have been able to gain influence and power in and through the crisis of global restructuring. A Gramscian political economy approach was selected for analyzing the changing nature of capitalist hegemony and the evolving international order because Gramsci, unlike most other Marxists, believed that ideas do make a difference in the constitution of hegemonic leadership

¹ Antonio Gramsci, "Notes on Italian History," pp. 56.

² Patricia Marchak, The Integrated Circus: The New Right and the Restructuring of Global Markets, Montreal: McGill-Queen's University Press, 1991, pp. 252

³ Michel Lowy, "Twelve Theses on the Crisis of 'Really Existing Socialism,'" Monthly Review, 43:1, (May 1991), pp. 36.

⁴ Stephen Hymer, Papers by Stephen Hymer, Robert Cohen et. al. (eds.), New York: Cambridge University Press, 1979, pp. 272.

strategies. For Gramscian inspired political economists an ideology, when integrally related to the economic base of society, is theoretically treated as a powerful force in class transformation.

As I stressed in this thesis, the moral and commercial axioms of the 19th century's free market ideology have been vigorously resurrected and re-instilled by socially conservative "new right" political and intellectual forces. The new right political economy -- understood as a system of social thought and political action which combines a "supply-side" approach to economic transformation with traditional conservative values concerning the organization of society -- was presented in this thesis as the main political group responsible for restructuring the contemporary world economy. The right's strategy of economic development was shown to be premised on the assertion that dynamic forces associated with the private capitalist economy can, once unleashed from the "restraints" of government regulation, resolve the crisis in the global economy. In line with this view, domestic economies in the North and the South have been reorganized along market principles with the private sector becoming the main mechanism for promoting economic development. Thus, driven by an ideological view-point which shuns any state engineering of the economy as "socialist," the new right's ideology has been instrumental in transforming capitalist hegemony at the world level in a more market-oriented and less state-dominated direction.

A key argument of this thesis has been that **the unremitting efforts, persuasive argumentation and influential ideas of the right's intelligentsia have triumphed on the ethical, moral and intellectual terrains of class struggle.** As a consequence, traditional Keynesian-influenced intellectuals and politicians have been largely discredited -- indeed, in many cases,

absorbed -- by the right's "counter-revolution." In exclusive private right-wing think-tanks and public forums, the right's intelligentsia has controlled the ideological and practical terms of the economic development debate in both the North and the South.

The thesis emphatically argued that the contemporary ideological hegemony of market capitalism is directly attributable to the consummate development and refinement of monetarist economic theory and the spread of related neo-liberal principles to other disciplines, including, most prominently, development economics. By fusing classical economic theory with the radical adversarial politics of neo-conservatism, the right's ideologues have provided the necessary Gramscian-type intellectual and moral leadership absolutely crucial for new right's transformation of capitalist hegemony. The right's intelligentsia has provided the ideological rationale, intellectual coherency and theoretical defense for the political right's assault against state capitalism. Hence, the right's cadre of intellectual forces has prepared the ideological framework for the reinstatement of a self-regulating market order.

An analysis of the policy initiatives of the structural adjustment programme for Third World development, initiatives which were shown to be primarily premised on withdrawing the state from the economy, convincingly revealed that the right's intellectuals have been instrumental ideological forces in producing, controlling and disseminating the "Washington consensus." We have seen that the passive and uncritical acceptance of the IMF and World Bank's neo-liberal economic development paradigm would suggest that market capitalism has achieved global hegemony in the sense understood by Gramsci. Consequently, the debate

over "structural adjustment" in the South (and "restructuring" in the North) has now been reduced to mere procedural squabbling over the "sequencing" of market and or political reforms; questions are rarely, if at all, raised about the **desirability** or even **viability**, especially the ecological sustainability, of the reforms themselves.

Neo-liberalism's now unchallenged model of economic development, particularly the pervasive belief in "market efficiency," is illustrative of the power intellectual forces can exert in entrenching a structure of economic dominance. Informed by Gramsci's insights into how and why subordinate groups submit themselves to exploitation, this thesis has argued that the right's supreme control of the ideological discourse is the main reason behind the world-wide **genuine** acceptance of the political and class agenda of big business. Although internationally mobile capital concentrated in the oligopolic control of transnational corporations is now undoubtedly the driving, dominant and dynamic force behind "restructuring" in the North and "adjustment" in the South, and, in all likelihood, will largely determine the still unclear future contours of the "new world order," the dominance of transnational capital was shown to be consistently reinforced by the decision-making of neo-liberal managers at the state level. The right's strategy of economic development in the North is based on deregulating, desubsidizing, and privatizing the Keynesian welfare state, as well as ensuring that competitive "open" markets prevail on a world scale. This strategy is in direct ideological conformity with the material interests, perspectives and desires of transnational corporate capital. The policy promotion of free trade and a free-market economy necessarily involves a reconcentration of economic and social power in the corporate control of the world's largest

producers. Since global restructuring is an undetermined process, the strategic intervention of the right's intellectuals in helping to shape a reconfigured world capitalist order along market lines is the **cause**, not the **effect**, of the contemporary dominance of transnational capital.

Despite the market consensus reached among elites at the present time, it is clear that neo-liberal hegemony rests on a very narrow and fragile social base. Global politics are considerably more fluid, and certainly less consensual than in the previous American-dominated Keynesian world order. **The defects of classical liberal theory are that the implementation of the invisible hand of the market relies on the enforcing hand of the state.** In the Third World, for instance, our discussion has demonstrated that economic liberalism via the IMF-led structural adjustment programme is advanced at a tremendous social cost to political liberalism. The disciplinary, anti-democratic and fraudulent aspects of new right rule, which in the case of an expansive hegemony generally remains latent only to be applied in marginal and/or deviant cases, have come to dominate political and social life. Indeed, it is becoming increasingly clearer that if there is to be a resolution to the world economic crisis via the modicums of neo-liberalism, then it will have been achieved on the backs of the poor, for it is the rich and the powerful in society, not the impoverished subordinate classes, who are the most vehement spokespersons for fomenting the dubious ethical, economic and moral superiority of "free" markets, monetarism and austerity.

My chief concern in this thesis has been to demonstrate that Gramscian political economy can be practically adapted for advancing our understanding of the contemporary dynamics of the world capitalist system. Although Gramsci's method in the Prison Notebooks could hardly be called systematic,

or for that matter finished, he nonetheless sketched a superior conceptual framework which reaches far beyond the theoretically confining base-superstructure reductionism of Marxist orthodoxy. The fluidity and creativity of Gramsci's concepts easily lend themselves out to applications to global political economy.

Gramsci understood that politics, culture, ideology, ethics, philosophy, morality and class consciousness are not determined processes. I have demonstrated in the course of this thesis that ideology, and the dissemination of ideological structures of thought by a dominant political group in society, plays an important -- indeed **decisive** -- role in influencing the outcome of Marxist class struggle. By intensely focusing attention on which ideology is hegemonic in society, I have shown that social scientists can better understand the intellectual, political, cultural and philosophical processes involved in producing change in the global complex. I would assert in this concluding chapter that a reintroduction of a philosophical, rational analysis of values and politics into political economy theory is absolutely essential. To begin understanding the new right movement -- and thus beginning the struggle against it -- we need to pay more explicit attention to the right's ideological world-view, together with the associated moral and political values underlying the economic transformation of capitalist hegemony in the North and the South of the world system. Ideas are profoundly changing our world.

As Gramsci determinedly pointed out, history is never made by mechanical forces alone. Rather, history is the product of the application of the active human will to the social world. Gramsci believed that all human beings are, in one way or another, "philosophers" -- we are all intellectuals,

because each person interprets the world in his or her own unique way. But, like Marx, Gramsci conceded that philosophers have only interpreted our world and **the point still remains to change it**. As Gramsci writes: "... it is not the reconstruction of past history but the construction of present and future history which is at stake."⁵

The struggle which must go forward is the Gramscian struggle to erect a new hegemony, a truly new moral, cultural and intellectual world order which would be broadly based on democratic participation regardless of race, skin colour, gender, nationality or religious creed. We must now begin choosing our allies, we must choose whose side we want to be on.

I leave you, dear reader, with one of my all-time favourite passages from Gramsci, which was written in the despairing depths of World War One, just a few months prior to the Russian Revolution. The passage contains a familiar theme for those who have studied Gramsci: "pessimism of the intellect, optimism of the will." The passage is called "Indifferents."

Whatever happens, the evil which befalls all of us, the possible good that one heroic action (of universal value) might generate, is not due to the initiative of the few who act, as much as it is due to indifference or the absenteeism of the many. What takes place is not the result of what a few want, but of the fact that the great mass of men submit to the will of the few. [...] In fact, the fate which seems to dominate history is nothing but the illusory appearance of this indifference and of this absenteeism. [...] A few hands, unobserved and uncontrolled, weave the fabric of our collective life, and the mass ignores it because it is not concerned. The destiny of an epoch is manipulated according to narrow visions, immediate purposes, the ambitions and personal passions of small, active groups. The masses of men do not know because they are not concerned. [...] Some whimper miserably, others curse obscenely, but nobody, or only a few ask, ask themselves: if I too had done my duty, if I had tried to impose my will, make my advice heard, would things have turned out as they have? But no one, or only a few, make a fault of their own indifference...

I hate those who are indifferent because I am annoyed by their whimpering as if they were eternally innocent. [...] I don't have to waste my

⁵ Antonio Gramsci, "The Modern Prince," pp. 179.

compassion or share my tears with them. I am a partisan, I live, I feel pulsating already in the virile consciousness of those on my side the activity of the future city that my side is building. And in it the social chain does not weigh on the few. In it what happens is not due to chance or fate, but to the intelligent work of citizens. No one in it sits by the window looking, while the few shed their blood in sacrifice.

I live, I am a partisan. This is why I hate those who do not take sides, I hate those who are indifferent.⁶

Let us not be indifferent.

⁶ Antonio Gramsci, "Indifferents," originally published in *La Citta Futura* February 11, 1917.

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