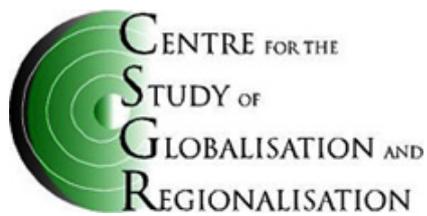


**“Creating Globalisation: ‘Patriotic Internationalism’ And
Symbiotic Power Relations In The Post-WW2 Era”**

Jim George

CSGR Working Paper No. 66/01

January 2001



Creating Globalisation: ‘Patriotic Internationalism’ And Symbiotic Power Relations In The Post-WW2 Era¹

Jim George

The Australian National University

CSGR Working Paper No 66/01

January 2001

Abstract

This paper engages a number of important and complex questions on the contemporary Globalisation agenda. In the first instance it is concerned with the question of what globalisation actually means. It confronts this issue in both conventional terms (i.e. the current debate over ‘meaning’ which generally pits neo-liberal perspectives against a variety of critical alternatives) and in terms of a broader historical and intellectual frame of reference which, it suggests, is a more appropriate context for the debate. The suggestion, more precisely, is that the globalisation phenomenon of the current era, is best understood in terms of some fundamental organising principles drawn from a modern international political economy (IPE) agenda in which (the major) states and an advanced, expansionist brand of capitalism continue to dominate, albeit as part of a significantly reformulated symbiotic power relationship. The second and primary focus of the paper is concerned to illustrate how this traditional symbiosis actually works at the core of contemporary globalisation, in theory and practice. It does so in concentrating on that period between 1945 and the present when, it is suggested, a series of policy decisions taken by the USA at Bretton-Woods, in order to retain and enhance its post-WW2 systemic advantages, were intrinsic also to the breakdown of the Bretton-Woods system, the development of increasingly deregulated economic sector by the mid-1970s, the ‘casino capitalism’ of the 1980s and the coherent neo-liberal agenda of the 1990s which, in the post-Cold War years has invoked a new era of liberal free-market economics as the keystone of global peace and prosperity in the future. Rejecting the one-sidedness of this perspective the paper maintains that a symbiosis of the political *and* the economic still characterises the age of neo-liberal dominance. That, indeed, the notion of independent economic forces imposing themselves upon effectively impotent state actors misses the historical, political and ideological point about the nature of systemic agency and structure in the modern IPE. It seeks, in this regard, to illustrate how a major capitalist state, such as the USA, is intrinsically connected to the ‘economic’ success of the neo-liberal globalist agenda, and how its ostensibly independent ‘economic’ agenda is, if anything, increasingly dependent upon a Triad of major states (i.e. centred on the U.S., the E.U and Japan) for support, sustenance and profit. The brief final section of the paper touches on some of the possible implications of this scenario for the global future.

Key Words: International Political Economy, globalisation, modernity, agency and structure, Bretton-Woods, symbiosis, states and markets, Triadism, Introduction: The Question of Meaning

Address for correspondence

Dr Jim George

Department of Political Science and International Relations

School of Social Science

The Australian National University

Camberra, 0200, A.C.T

Australia

Email: Jim.George@anu.edu.au

¹ DRAFT ONLY

Please do not cite without permission of the author

INTRODUCTION

In the period since the study of International Relations (IR) began as a systematic and coherent enterprise in the 1920s, two themes have dominated analysis and research above all others. The first, the Two World Wars, prompted modern traditions of theory and practice which connected the greatest historical disasters of the 20th century to larger, more profound debates on questions of human nature, human social potential and the systemic ‘art of the possible’ in inter-state relations. The second, the Cold War, saw the analytical scales tipped firmly in favour of a minimalist and pessimistic account of what was possible and/or desirable in the global arena, in an era characterised by nuclear stand-off, great power intransigence and seemingly irreversible ideological struggle between the great post-Enlightenment ‘isms’ (liberalism and socialism) each seeking to claim the past and shape the future in the name of modern rational-man.

Another major theme is now evident at the beginning of the 21st century - globalisation. For some, this globalisation phenomenon represents a historical watershed in IR. The moment when the minimalism and pessimism of the Cold War years have been rendered redundant, with the triumph of liberal-capitalism and the beginnings of a new, more peaceful and prosperous age of Western (read United States) global hegemony. An age in which the politico-economic, cultural and institutional principles and practices of the Western liberal-democracies - the victors of the Cold War – are proliferated world wide.²

There are a number of variations on this theme, some of which place less emphasis, directly, on the Cold War triumph of liberalism and more on globalisation as the moment at which old ideologies and old geo-strategic principles per se become effectively irrelevant to the new world order and its global community. From this vantage point, the era of globalisation marks a crucial historical and conceptual watershed in the development of human relations, in which the capacity for positive, innovative and cooperative interaction between the world’s peoples is finally to be released after centuries of structural and intellectual constraint intrinsic to the Westphalian state-system. Most commonly this sense of release is associated with the perception of an irresistible dynamic in global economic relations, destined to break-down traditional barriers to free trade and usher in a new age of global capitalism and systems of Western (neo) liberal governance.³

² See, F.Fukuyama, *The End of History and the Last Man* (London: Penguin, 1992)

³ See, K. Ohmae, *The Borderless World* (New York: Harper Books, 1990)

Less frequently, but importantly, one also finds reformist voices within the (broad) liberal orthodoxy who take more critical and reflective stances on the question of how such ‘release’ might best be managed.⁴

Critical reflection is more explicit, however, within a literature with a somewhat different attitude to globalism than that invoked by (neo-liberal) triumphalists, global free-marketeters and/or liberal reformers. Here, analysis is characterised by a genuine ambivalence towards many aspects of globalisation and its present and future implications. Nevertheless, one finds here the perception that, for all its oppressive and exploitative characteristics, globalisation also contains the potential for radical political and cognitive transformation – for the kinds of social and intellectual freedoms envisaged not just by liberals and market analysts, but by Kant and Marx and Gramsci.⁵

Globalisation, perceived this way, becomes the contemporary catalyst for unfulfilled radical potential, for the kinds of social and political freedoms consistent with a universal human community, with counter-hegemonic theory and practice, and with resistance to traditional power politics and market relations. The optimism at the heart of this ‘globalisation’ stems, in the main, from conventional dialectical perspectives and from images of an ailing hegemonic process in which the ruling powers sow the seeds of their own destruction, and hasten their supersession by more democratically inclined forces.

From less conventionally developed sources too (e.g. amalgams of Critical Theory and postmodern themes) globalisation has been represented as a historical opportunity for fundamental social transformation, the emergence of an ultimately liberating sense of global

⁴ This takes various forms, most commonly perhaps via the new Keynesianism of those who argue for the need for a more responsive and responsible state in the face of global forces. See R. Boyer and D. Drache, eds. *States Against Markets: The Limits of Globalization* (London: Routledge, 1996). The question of where ‘Third Way’ strategies stand in this critical liberal category is a contentious one. See A. Giddens, *The Third Way: The Renewal of Social Democracy* (Cambridge, Polity Press, 1998); and C. Hay and M. Watson, “Rendering the Contingent Necessary: New Labour’s Neo-Liberal Conversion and the Discourse of Globalization” in *Working Paper 8.4*, Program for the Study of Germany and Europe, Center for European Studies, Harvard University. A different kind of critical liberal (internationalism) is to be found in The Report of the Commission on Global Governance, *Our Global Neighbourhood* (Oxford University Press, 1995); and a broad critical liberal tradition is evident in the work of M. Gurtov, *Global Politics in the Human Interest* 2nd ed (Boulder, Colorado: Lynne Rienner, 1994); and R. Falk, *Predatory Globalization: A Critique* (Cambridge: Polity Press, 1999)

⁵ For good overviews of this kind of literature, see S. Gill ed., *Gramsci’s Historical Materialism and International Relations* (Cambridge: Cambridge University Press, 1993); and J. Mittleman ed., *Globalization: Critical Reflections* (Boulder, Colorado: Lynne Rienner, 1997). See, also the various contributions of Robert Cox, e.g. *Power*,

community, an ethic of political tolerance and a respect for cultural difference. In this context, in particular, the promise of globalisation is often bound up with questions of identity or, more precisely, with the possible freeing-up of (cultural, ethnic, religious, gender) identities, as the traditional obligations and loyalties of the Westphalian system give way to a more flexible, more inclusivist global matrix of social meaning.⁶

Conversely, there are significant and influential sectors within the (broad) globalisation debate who are either dismissive of these positive, optimistic perceptions of its processes and implications, or who, in acknowledging some of its 'liberalising' features (e.g. its market-relations) insist on the primary role of states, and of traditional forms of power politics as the defining and still necessary features of global life in both the present and future. From this general perspective, consequently, one can find explicit rejection of the 'historical watershed' notion popular among liberal and critical commentators, and a re-articulation of a traditional (realist) pessimism regarding the vicissitudes of inter-state conflict, of the (Westphalian) security dilemma, and of patterns of self-interested behaviour at the core of an effectively unchanged, anarchical system.⁷

The perception of globalisation as systemic-continuity is also visible, often in more nuanced and flexible form, in the analysis of a large number of traditionally grounded scholars who recognise the rise of corporate and other non-state actors in the global economy as a significant challenge to the systemic status quo. The tendency here, accordingly, is not to dismiss the possibility of systemic change per se, but to emphasise how the major structural constraints of the Westphalian system still, and indeed must apply, if order and structural coherence are to be maintained in the era of an interdependent global economy. From this (neo-realist) perspective, the major states, and the major (western dominated) institutions of political and economic control (IMF, World Bank, WTO) are regarded as crucial agencies of global order and potential future prosperity.

Production and World Order (New York: Columbia University Press, 1987); and J. Brecher et al, eds., *Global Visions: Beyond the New World Order* (Montreal: Black Rose Books, 1993)

⁶ See, in particular, A. Linklater, *The Transformation of Global Community* (Cambridge: Polity Press, 1998); and *Beyond Realism and Marxism* (London: Macmillan, 1990). On identity in this broad context, Y. Lapid and F. Kratochwil eds., *The Return of Culture and Identity in IR Theory* (Boulder, Colorado: Lynne Rienner, 1996); T. Franck "Tribe, Nation, World: Self Identification in the Evolving International System", in *Ethics and International Affairs* 11, 1997:151-169

⁷ See, for example, J. Mearsheimer, "Back to the Future: Instability in Europe After the Cold War", in *International Security*, 15, 1990:7-57; and "Disorder Restored" in G. Allison and G. Treverton eds., *Rethinking America's Security* (New York: Norton, 1992); and C. Maynes, "The New Pessimism" in *Foreign Policy*, 100, 1995: 35-45. For a peek at the theoretical underpinnings see K. Waltz, *Theory of International Politics* (Reading, Mass: Addison-Wesley, 1993)

Agencies which must be sustained and supported if the Westphalian security dilemma is to be successfully adapted to meet the demands of a current (market-oriented) form of systemic anarchy.⁸

None of this is to suggest that the burgeoning literatures on the meaning and implications of globalisation, are reducible to the simplistic dichotomies between optimism and pessimism, or realism and idealism that, all too often, have been utilised by IR specialists in lieu of serious analysis. Nor does Anthony Giddens' recent distinction between globalist 'radicals' and their 'sceptical' counterparts adequately address the issues at stake in this context.⁹ Rather, as this introductory discussion has sought to emphasise, globalisation, as both a body of knowledge and as a set of everyday social practices, is a complex and multifaceted phenomenon which resonates with highly contested 'meaning'.

The issue of contested meaning, consequently, is intrinsic to the way in which the reality of globalisation is understood and acted upon from the various political, economic, cultural, religious and geographical vantage points by which the world's peoples engage its complex processes on a daily basis. This is because like all other objects in the social universe - 'globalisation' - as an object of study and/or as an everyday practice is infused with the meanings given to it by the variety of human subjects who seek to define, enhance and/or resist it. My initial concern, accordingly, will be to try and clarify some of the issues surrounding this process of meaning-giving and establish my own position in relation to it, before moving on, more directly, to the question of some of its real-world implications.

Clarification is no easy task in this context because globalisation, as a vital issue of present-day theory and practice is, I suggest, actually situated at the intersection of a number of other inherently contentious sites in the contemporary lexicon of meaning regarding political life and social change. When we seek to speak meaningfully about globalisation, for example, we are to one degree or another engaging the question of whether we live in a modern or post-modern world; of whether we are experiencing a Westphalian or post-Westphalian systemic reality; of

⁸ See, S. Krasner, ed. *International Regimes* (Ithaca, New York: Cornell University Press, 1983); R. Keohane ed. *Neorealism and its Critics* (New York: Columbia University Press, 1986); D. Baldwin, ed. *Neorealism and Neoliberalism: The Contemporary Debate* (New York: Columbia University Press, 1993); and K. Oye, *Cooperation Under Anarchy* (Princeton University Press, 1985).

⁹ See A. Giddens, "Runaway World" (The 1999 Reith Lectures No. 1) <http://news2.thls.bbc.co.uk/hi/english/static/events/reith%5F99/week1/week1.htm>

whether 'International Relations' or 'Global Politics' is the more realistic rubric under which we might best understand the way the world works at the beginning of the 21st century.

At a more profound level still the question of globalisation impinges on some of the most contested and unreconciled tensions within modern history and (in particular) Western social theory. Tensions concerning age-old the attempts to reconcile freedom and order, agency and structure, the particular and the universal. Tensions concerning the identity conundrums - of individual and society, of citizen and state - of attempts to install structural and conceptual unity in the face of the fragmentation of everyday (cultural, ethnic, linguistic, religious) life. Tensions associated with the modern philosophical attempt to overcome the uncertainties and contingencies of human thought and behaviour with certain knowledge (e.g. of economic utility, of rational action, of political behaviour). Tensions associated with the tendency toward dichotomy (domestic state v global market}and determinism (e.g. the globalisation as irreversible theme).

In a larger work now in progress I seek to engage these tensions, and other broader sites of contention, as a way of directly engaging the globalisation debate and its diversity of meaning. Beyond this initial 'theoretical' aim my concern is to say something more directly about globalisation as an empirical project in different areas of the world. In this way contributing to another important contemporary debate – that concerned with possible future world orders.

In this context I evaluate the potential for a shift from a traditional and minimalist 'art of the possible' to a more fluid and democratically inclined 'arc of possibility' as the 21st century unfolds. In making a case for cautious optimism in this regard I suggest that the potential for such a shift is to be found most readily, albeit ironically, at that most crucial of traditional intersections which, since the 17th century, has seen the dynamism and global reach of capitalism intersecting with the Westphalian state system to produce 'modern' forms of society and modern ideas about the nature and possibilities of human life in the global future. The intersection I have in mind concerns that ongoing historical tension between the modern state system which emerges after 1648 - the development of an expansionist capitalism during this Westphalian period - and a philosophy of modern political agency in this era which powerfully complimented the central international political economy project of the modern age. A philosophy centred on the modern individual as sovereign actor in an anarchic realm of states and markets.

It is in regard to this intersection, I suggest, and the subsequent contentions surrounding it, that one can best grasp both the enduring power and the inherent precariousness of a conceptual and structural system which has effectively shaped the modern world in its own limited, and increasingly problematic terms. In the wake of the Cold War, this has become a particularly acute issue, with the breaking down of many conceptual and structural borders and inhibitions and as traditional orthodoxies (both conservative and radical) seek to explain and legitimate their images of past, present and future in terms derived, almost exclusively, from the historical experiences and dominant philosophical precepts of post-Renaissance Europe.

I acknowledge, of course, that the approach I am outlining here might appear rather dated to some, perhaps even irrelevant. That, in the age of digitalisation, hyperspace, cyberspace and supraterritoriality, a focus on traditional and orthodox IR and IPE themes, particularly as a basis for critical global analysis, is akin to flogging the proverbial dead horse. Jan Aart Scholte is one scholar who has become particularly irritated by this tendency, and by those who would seek to integrate ‘global’ and ‘international’ themes while failing to specify a precise distinction between them. The problem, maintains Scholte, is that “if the concepts refer to the same condition, then talk of globalization is redundant”. Such talk, would “merely rehash the same arguments that realists, liberals and Marxists rehearsed twenty, sixty, and even a hundred and more years ago.”¹⁰ This is not my intention here. Indeed, my general aims are consistent with Scholte’s, who proposes that in “exposing the inadequacies of orthodoxy – conceptually, empirically and ethically – and by imaginatively restructuring the theory and practice of globalization”, one might enhance a critical understanding of the globalising world order and help create the kind of political and intellectual space by which more people might explore its positives and effectively resist its negatives.¹¹

I am not convinced that this can be achieved by simply demarcating some ideas and processes as ‘global’ and others as ‘international’. I am even less persuaded that, with the coming of globalisation, we have somehow reconciled the questions and arguments “rehearsed” over the years by realists, liberals and Marxists and can therefore move beyond them in our engagements

¹⁰ See, Scholte, “The Globalization of World Politics”, in J. Baylis and S. Smith eds., *The Globalization of World Politics: An Introduction to International Relations* (Oxford University Press, 1997):14

¹¹ See, J.A. Scholte, “Towards a Critical Theory of Globalization”, in E. Kofman and G. Youngs eds., *Globalization: Theory and Practice* (London, Frances Pinter, 1996):52

with the global future. Social history and political struggle rarely lend themselves to the kind of conceptual precision or intellectual resolution that scholars and activists have often claimed for such phenomena - in the modern period in particular. In regard to globalisation, I suggest, there is very little chance of achieving this kind of precision because, in both theory and practice, the 'international' is deeply and inexorably interwoven into the 'global', and old world conflicts (the life-blood of realists, liberals and Marxists) remain intrinsic to the inequalities, dangers and opportunities of the global new world order.

This is not deny the obvious implications of an accelerating process of globalisation in recent years which has produced the sense that there now exist different, demarcated and precise agenda's for 'globalism' and 'internationalism'. The former, representing a "patchwork of bordered countries" the latter "a web of transborder networks."¹² My argument, however, is that these two 'discrete' agenda's are actually much more closely integrated than they often appear to liberal and critical scholars and that a more comprehensive understanding of their relationship requires that we re-energise some of the traditional debates over past, present and future, in terms of some deceptively simple (and admittedly old fashioned) questions concerning real world issues. e.g. in whose interests does the 'new' global system actually work?.

When one begins to answer questions such as these one finds some pretty traditional patterns of power and influence being replicated in the ostensibly new techno-economic age of globalisation. One finds, for example, that real power in the current era has not dispersed very much at all – that geo-politics and geo-economics still matter – and that a traditional pattern of structural hierarchy is still largely in place. More specifically one finds that political and economic power remains embedded within a small and already privileged sector of the worlds peoples, in particular those who live in the most powerful states. A useful way of summarising this continuing pattern of wealth and power, which I will adopt in this paper, suggests that the current and foreseeable future world order is that dominated by a power-Triad of states and corporate actors centred in North America, Western Europe and Japan. It is relation to this Triad theme that Michael Mann has concluded that "if the [economic] commodity rules, it only does so entwined with the rule of – especially Northern – citizenship".¹³

¹² See, Scholte, in J. Baylis and S. Smith eds, op. cit.,1997:15

¹³ See, Mann, "Has Globalization Ended the Rise and Rise of the State?", in T. Paul and J. Hall eds., *International Order and the Future of World Politics* (Cambridge: Cambridge University Press, 1999): 245

Significantly, the retention of power in this rich Triad is not simply that predicated upon the traditional military and economic factors of the ‘internationalist’ era, but upon precisely those ‘new power’ (or ‘soft power’) factors which globalists tend to equate with evidence of fundamental historical and systemic change. Thus, the power of the Triad states and their corporate allies at the beginning of the 21st century includes the power to direct and dominate global culture; to own and control the major scientific advancements intrinsic to the human and ecological future; to invest in and utilise the latest technology and communications networks; and to wield overwhelming influence over the politico-economic institutions and organisations which make the rules and provide the norms for the global governance in the globalisation era (eg the IMF, World Bank, WTO)

Again, this is not to deny the extraordinary happenings of the contemporary age, in which the extreme fluidity of short term money markets and the enormous flows of global finance associated with corporate business practices and ‘electric money’ have led many to the conclusion that a new age of global (techno-economic) autonomy has arrived. Suffice for now to say that if one concentrates less on the quantity on those flows, and more on their direction, and again asks some old fashioned but entirely relevant question of them – e.g. where is the money actually coming from and where is it actually going?. The answer, once again, is more complex than the ‘global flows’ literature often allows. An answer which points to historical and systemic continuity, rather than fundamental global change. ¹⁴

In this context I agree totally with Scholte’s view that the crucial question of the globalisation era is that which asks whether or not globalisation has produced “a fundamental discontinuity“ in a global history dominated in the modern era by the conceptual and structural parameters of the Westphalian system.”¹⁵ My argument is that it has not and that there is, at best, problematic evidence that such fundamental discontinuity is likely to take place in the foreseeable future. On the other hand the continuity/discontinuity theme is, it seems to me, an entirely legitimate one for

¹⁴ This is not to reject the view that some elements of the current globalist era might make it different from any that have preceded it. The sheer weight of global capital movements and the range of global transactions are arguably unique in this sense. Nor is it to miss the point about the differing nature and power capacities of states in the globalisation era. See, D. Goldblatt, et al., “Economic Globalization and the Nation-State: Shifting Balances of Power”, in *Alternatives*, 22, 3, July-September, 1997:269-287. The issue of directionality remains crucial, nevertheless, if one is seeking to evaluate the ‘new’ power relations in the globalisation era. See, R. Petrella, “Globalization and Internationalization”, in R. Boyer and D. Drache, eds., *States Against Markets* (London: Routledge, 1996)

¹⁵ See, Scholte, “Towards a Critical Theory of Globalization” in E. Kofman and G. Youngs eds. *Globalization: Theory and Practice* (London, Frances Pinter, 1996): 49

a contemporary critical scholar to ask, in re-locating ‘globalisation’ within that ongoing spectrum of struggle and contention about the modern world which has characterised the debates between realists, liberals and Marxists, and others, for many years.

Indeed, it is imperative for critical scholarship that issues of historical continuity and discontinuity remain open to this kind of questioning in the globalisation context. In particular it is imperative that critical scholars do not (unwittingly) close off such questioning by leaping upon the globalisation bandwagon - in simply *assuming* an end to the traditional system in order to move (cognitively and politically) beyond it. And while there might be, as Judith Sklair has put it “a real psychological need” for a global society among critical analysts - as the basis for a democratic, ethical and just human society in the future - this paper urges caution in regard to the (understandable) temptation toward analytical short cuts in the pursuit of such an outcome.¹⁶

It does so in addressing the globalisation phenomenon in terms outlined above - which recognise it as part of a much larger historical and philosophical project central to the development of a modern world of states and capitalist markets, and of a philosophy of the modern individual and social identity integral to that project. A world order and an individual and global identity which serves a particular kind of systemic interest, the interest it has in effect served since the 17th century that, primarily, of the most powerful states and those sectors within them most advantaged by capitalist modes of production and exchange. A world order predicated upon the secularism, individualism and market rationality of western modernity.

It is in this broadened and deepened context, I suggest, that the immediate questions of continuity and discontinuity, and the larger question of meaning, are more appropriately and effectively asked, and the possibilities for future democratic and just world orders more substantially assessed and evaluated. Above all, in this context, it is crucial to acknowledge that the nation-state system is not dead, nor indeed is it necessarily dying or withering away under the onslaught of global capitalism and trans-border technologies. This is not to ignore the sometimes very significant damage done to the status and power of national states and national economies in recent years, which has resulted in even the most powerful of contemporary

¹⁶ See J. Sklair, “Competing Conceptions of Globalization”, *Journal of World-Systems Research*, 5, 2, Spring 1999:1-17 at p.10

systemic actors (i.e. the US) no longer having (traditional) control of a politico-economic structure it did so much to project, encourage and sustain in the post -WW2 period.

It is a fact, after all, that at the beginning of the 21st century new global technologies and corporate capital has unparalleled power and influence. The ‘world-wide web’ exists and, at least potentially, has ‘global reach’. So do the enormous multinational corporations (MNCs) that have developed in the period since WW2, to the extent that in the mid-1990s, 440 MNCs had annual turnover’s of over 10 Billion US dollars, while only 70 or so countries worldwide had GDP’s of this magnitude.¹⁷ Moreover, the growth since the 1970s of unregulated off-shore capital markets and of short-term capital mobility has, undoubtedly, had a significant impact upon the capacity of states to manage their own economies and supervise the international financial system in the traditional manner.

These are facts that cannot be denied. But the question of what they mean is an altogether more complex issue. In this paper they will be taken to mean that, as part of a long term and ongoing symbiotic relationship between the modern state system and modern global capitalism, the current era represents a phase in which the ‘economic’ dimension has, through a range of ‘political’ decisions and contexts, become a powerful (ostensibly independent) force helping to drive the system to the limits of and perhaps even beyond its traditional parameters.¹⁸

On the other hand, it will not be taken to mean that the world of states and power politics has, virtually overnight, given way to a new structural and conceptual reality in which global life is transformed by the “remorseless flows of capital, people and information within a single world market”.¹⁹ My suggestion, rather, is that we need to recognise the present era of globalisation as an integrated, multileveled and multifaceted articulation of both global and international factors which requires the kind of comprehensive, nuanced appreciation of it that one rarely finds in the contemporary globalisation literature.

¹⁷ See, Sklair, Ibid, 1999:4. For confirmation, see J.A. Scholte, *Globalization: A Critical Introduction* ((London: Macmillan, 2000):130 -132

¹⁸ For example, the Bretton Woods Agreement, the US policy response to the Vietnam War and the end of Bretton Woods; the accelerated ‘liberalisation’ of GATT; the end of the Cold War. More on this shortly. In this context Susan Strange was spot on in pinpointing US foreign policy decisions as intrinsic to the global breakout of capital in the 1980s. See, Strange, *The Retreat of the State* (Cambridge: Cambridge University Press, 1996) and *Casino Capitalism* (Oxford: Basil Blackwell, 1986)

Such appreciation is to be found, I suggest, in the broader historical investigations of the modern era associated with scholars such as Michael Mann, Fernand Braudel and a range of historical sociologists and international historians who recognise what was implicit in the introductory section - that the symbiosis between the major states and capital which sparked off the contemporary phenomenon known as 'globalisation' is actually an intrinsic feature of the historical development of the modern state system and of its intrinsic relationship with global modernity per se.²⁰ Ian Clark's contribution is important here also, in emphasising the need for more precision regarding this symbiotic relationship, concerning not just the (external) interaction of states and the global system, but the internal form and nature of the major states, as integral factors in the shaping of that (external) system. Seeking this precision, Clark asks, "Is the only story to be told one of declining state autonomy in the face of remorseless globalization?. Or is there a more complex process that needs to be unravelled whereby what the state now seeks to provide in the shape of 'goods and services' is as much a functioning of its changing self image and identity as any impotence in the face of determining global forces?".²¹ This is an important question in any critical engagements with arguments proposing the 'death' or 'demise of the state' on the basis of an externally enforced (e.g. 'competition state') structure.

In this paper it is to be a central analytical component of a discussion which also seeks to "unravel" the process by which major states (agents) become active participants in the global forces (structure) which ostensibly determine their domestic nature and policy options. In this context (and with due deference to Bagehot) the state becomes the buckle which binds the philosophies, interests and ambitions of various actors (individuals, political groups, firms, economic corporations etc) to domestic and global structures in the contemporary political economy. The issue then becomes one of linkage - of how the political and economic policy preferences of the dominant actors within the state are actually connected to political (e.g. institutional) and economic (e.g. markets) structures in the 'external' arena. The question of how

¹⁹K. Ohmae, cited in C. Hay and M. Watson, "Globalisation: 'Sceptical Notes on the 1999 Reith Lectures'" <http://news2.thls.bbc.co.uk/hi/english/static/events/reith%5F99/week1/week1.htm> 417-419 at 419

²⁰ For example, see M. Mann, *The Sources of Social Power: A History of Power* Vols. 1 and 2 (Cambridge: Cambridge University Press, 1986 and 1993); F. Braudel, *A History of Civilization* (New York: Penguin, 1994); C. Tilly, *Coercion, Capital and European States AD 990-1990* (Oxford: Basil Blackwell, 1990); I. Clark, *Globalization and Fragmentation* (Oxford: Oxford University Press, 1997), and Clark, *Globalization and International Relations Theory* (Oxford University Press, 1999)

²¹ See Clark, op. cit., 1999:106. This is a theme to be found in slightly different form in the 'social forces' perspectives of Robert Cox and others, in the more specific enquiries into the impact of the contemporary 'neo-liberal' state of Stephen Gill, and in the path breaking work on states and markets of Susan Strange

the symbiosis of politics and economics, states and markets actually works. Of how agency shapes structure and is shaped by that structure.

This is an issue of great complexity which I can only touch on in this paper in rudimentary terms. But in the discussion to follow I will try and indicate some of the linkages between agency and structure, the political and the economic, the (state) inside and (market) outside which have *created globalisation* in the current era. In so doing I will reformulate the globalisation question in a way that, it seems to me, is most appropriate for this task – from one which asks what globalisation ‘means’ per se – to that which asks: (i) what historical conditions, political practices and social knowledge forms had to be in place before ‘globalisation’ could take place?: (ii) what interests were/are served by these political practices and knowledge forms?: (iii) Do these historical, political and intellectual conditions leave room for resistance to them?: (iv) If so what is the nature of that resistance likely to be in specific empirical sites and in specific cultural contexts ?.

In the larger work of which this paper is part, I will seek to ask these reformulated questions of agency and structure in a number of historical, political and intellectual contexts. In the present work I will concentrate, primarily, on what I consider to be the crucial symbiotic relationship of the current globalisation era – that between elite (political, economic and military) actors within the United States (US) - and the structure of the international-cum-global political economy in the period since WW2.

This again is a difficult, multifaceted and highly contentious area of analysis. What I offer here is, necessarily, only a sketch rather than a deeply etched portrait of a complex relationship. It is a sketch, nevertheless, which retains a critical edge in largely repudiating the way in which this portrait has been painted in recent times by those walking the fine line between neo-liberal and neo-realist commitments to hegemonic stability theory.²² In this paper my argument is somewhat less heroically inclined. It is, simply put, that the phenomenon we know as

²² A portrait daubed in red, white and blue, which shows the face of an essentially benign post-WW2 superpower seeking to liberalise a shattered global system, only to be frustrated and thwarted in the 1970s by a combination of its strategic obligations (the war in Vietnam) and a range of challenges to its economic position, primarily by those it had supported and nurtured in the post-war years. In this picture of past, present and future, the world needs the US as hegemon if it is to have prosperity and stability. For another questioning of this portrait see R. Higgott, “Beyond Embedded Liberalism: Governing the International Trade Regime in an era of Economic Nationalism”, in P. Gummert, ed., *Globalization and Public Policy* (Cheltenham: Edward Elgar, 1996). On the fine line between neo-

globalisation emerged from a project of good old fashioned political opportunism on the part of the US after WW2, albeit on a grand scale. More specifically, I argue, tensions evident in the process by which the US sought to create political and economic hegemony at Bretton-Woods, in particular, are intrinsic to the phenomenon we now refer to as globalisation. Tensions emanating from a coalition of politico-strategic and economic forces attempting to put into place a strategy of ‘patriotic internationalism’ (rather than ‘embedded liberalism’) as the keystone of the post-1945 world order.

In this context, I suggest, the current phase of globalisation actually emerges from the contradictions intrinsic to this ‘patriotic internationalist’ perspective in the 1970s, as the US sought to retain its hegemonic status at a moment when the original Bretton-Woods framework had become untenable, and as the US ‘national interest’ becomes increasingly (and consciously) integrated with the global agenda of US MNCs -and a financial marketplace that, by the 1980s, was operating, to all intents and purposes, beyond the traditional parameters of (state) control. In the ensuing period the shifting balance of forces within the post-war symbiosis has become increasingly evident, with the US itself undergoing significant domestic reconfiguration as its relationship with global capital has deteriorated, and as it has experienced some of the vicissitudes of the Structural Adjustment Programmes (SAPs) that it has so enthusiastically promoted throughout the Third World.

The crucial factor here is debt. In the case of the US it has been the escalating national trade deficit which, since the 1970s, has been a major source of concern. A concern which became a crisis in the 1980s and 1990s and which rendered even the US vulnerable to the whims and fluctuations of the global financial markets. Indeed, the late 1990s saw the US borrowing from the financial markets the equivalent of that which it spends on national defence, simply to pay the annual interest payments on its national debt.²³ This situation continues as, at the beginning of the 21st century, does the faith in ‘patriotic internationalism’ within a US corporate-globalist elite now wedded to neo-liberal perspectives on both domestic and global affairs. Thus, to the very logic and practices which, according to one observer has, “like a deceptively stable southern

liberalism and neo-realism, see Steve Smith, “New Approaches to International Theory” in J. Baylis and S. Smith eds., op. cit., 1997: esp. 169-173.

²³ See Greider, op. cit., 1997:308. Susan Strange was again correct here in emphasising the debt and credit issue as integral to the power of the financial markets, even in relation to the strongest of states. See *Casino Capitalism*, op. cit., 1986.

California hillside [shifted] the social conditions of life for average Americans in ways almost unthinkable a relatively short time ago.”²⁴

This downward shift in American social conditions has perturbed many others too who, unimpressed by the ‘fictitious’ nature of the current upswing in the US economy, and by the enthusiastic response of the US to the WTO and its more aggressive globalisation strategies, have pointed to the increased social dislocation, widening chasm between rich and poor, and broadening culture of insecurity among great numbers of people within the US - as a microcosm of a desperate global scenario.²⁵ The concern here is that things can only get worse if the major ‘political’ actor in the system cannot acknowledge the problems it faces, and indeed if it continues to effectively hinder any movement towards a fairer, more democratically inclined world order in the foreseeable future.

This is an issue I will return to at the end of the paper. At this point I want to turn, more directly, to a moment of unequivocal optimism and power in US history, that moment around the end of WW2 when one begins to see a powerful coalition of social forces within the US seeking to

²⁴ See, M. Rupert, “Contesting Hegemony: Americanism and Far-Right Ideologies of Globalization”, in K. Burt and R. Denemark, eds., *Constituting International Political Economy* (Boulder, Colorado: Lynne Rienner, 1997):135. The notion of neo-liberalism here relates both to a theory of globalisation and to a policy perspective derived from that theory. Its primary themes are outlined well by Scholte, op. cit., 2000:34-35. They are: (i) an updated commitment to the classical liberal view that market forces will “bring prosperity, liberty, democracy and peace to the whole of humankind.” (ii) the view that state borders should not form artificial barriers (e.g. tariffs) to the efficient allocation of resources in the world economy; (iii) that there should be the abolition of most state-imposed limitations on movements between countries of money, goods, services and capital; (iv) the removal of state controls on prices, wages and foreign exchange rates and the privatisation of the state’s productive assets; (v) the reduction in state provision of welfare guarantees with markets becoming the major actors in the provision of pensions, health care, social services, education etc. In this form neo-liberalism has become the “reigning policy framework” of the globalisation era. In the IR and IPE context the connections between this neo-liberalism and neo-realism is again an important factor. On this see Smith’s comments in “New Approaches to International Theory” in J. Baylis and S. Smith eds., op. cit., 1997: esp. pp.169-173; and D. Baldwin, ed., op. cit., 1993.

²⁵The term ‘fictitious’ is used by Xabier Gorostiaga in “Latin America and the New World Order”, in J. Brecher et al eds., op. cit., 1993:76. The theme is to be found in a variety of works. See James K Galbraith, *Created Unequal: The Crisis in American Pay* (New York: The Free Press, 1998); W. Greider, *One World: Ready or Not* (New York: Touchstone Books, 1997); and T. Schrecker, ed., *Surviving Globalism* (London: Macmillan, 1997). But this is a very complex issue. It centres on the question of whether or not the US economy is now producing genuine surpluses from its balancing of the ‘primary’ budget (spending on actual Government programmes as against taxes and other revenues from the public sector). The Clinton Administration and neo-liberal economists claim it is and that they are being used to pay off the underlying debt. A range of commentators – representing the full political spectrum – disagree, suggesting that the books are being cooked in an election year and that the ‘surplus’ is false, in that it includes a range of other surpluses, primarily those siphoned off from social security trust funds. For a discussion on this see the authors above and, among others, “Grandfather Federal Government Debt Report” at <http://home.att.net/~mwhodges/debt.htm>; and “The National Debt” at <http://home.europa.com/blugene/deficit/debt.html>; and “The Public Debt to the Penny” at <http://www.publicdebt.treas.gov/opd/opdpenny.htm>. For the position of President Clinton, see “Clinton Announces Record Payment on National Debt” at <http://www.cnn.com/2000/ALLPOLITICS/stories/05/01/clinton.debt/>

externalise their interests and ambitions as part of an ‘American Century’ project, centred on the twin policy pillars of the ‘dollar and the bomb’. At this moment, I suggest, one also sees the beginnings of the great post-war symbiosis that was to become the neo-liberal ‘globalisation’ project of the 21st century.²⁶

Framing the American Century: Via the “Dollar and the Bomb.”

At this crucial historical moment the stakes were high for those seeking to press home the post-war advantage of the US and enhance their own interests in the coming new world order. For corporate sectors seeking an end to Roosevelt’s New Deal policies at home, and any return to isolationism abroad, the ‘dollar’ meant export-led growth, the integration of world markets, a revived Europe as a market for US goods, hostility towards socialism and trade unionism, and a post-war US state committed to big business and small government. For conservative politicians, political realists and military strategists the ‘bomb’ had an equal significance. It meant the capacity to contain the enemies of the US (i.e. the SU); to reconstruct Western Europe as a strategic bulwark against Soviet expansionism and to create, at home, a military-industrial complex designed to enhance the projection of US strategic power - globally.²⁷

In tandem, (e.g. as the Cold War combination of the Marshall Plan and the Containment policy) these shared coalition interests effectively re-defined the nature of the ‘political’ and the ‘economic’ (the ‘international’ and the ‘global’) in the post-WW2 era. In this sense, the ‘political’ and geo-strategic Cold War was very much the contemporary catalyst for an ‘economic’ project centred on the global interests of the leading Western states - interests now articulated by the US. Hence, the proposal of Secretary of State James Byrnes in 1945 that, “In the field of *international relations* [the US] has joined in a cooperative endeavour to construct an expanding *world economy* based on the liberal principles of private enterprise, non-discrimination, and reduced barriers to trade”. (my emphasis)²⁸

This resulted in a series of (internal and foreign) policy decisions designed to counter the Soviet threat strategically and economically, via an amalgam of traditional power politics and a theory

²⁶ The theme of the ‘American Century’ and the ‘Dollar and the Bomb’ is to be found in Mel Gurtov, op. cit., 1991:36. A more general discussion of such themes is in Fred Block, *The Origins of International Economic Disorder* (Berkeley: University of California Press, 1977) esp. ch. 3.

²⁷ For a general overview of these themes, in this context, see Block, op. cit., 1977: 33-50

of economic growth designed, above all, to enhance US national advantage within a devastated international arena.²⁹ More specifically, one saw in the US a coalition of politicians of both major parties, business executives and financiers, military spokespeople, academics and editorial writers, “formed to pursue economic expansion, at home through growth and overseas through empire”.³⁰ This coalition, whose opposition to the New Deal was so effectively articulated and applied that it could connect Roosevelt’s initiatives to the Soviet threat theme, could just as effectively portray any inclination toward ‘welfare liberalism’ as an outmoded, and potentially un-American, activity. Consequently, and very quickly after WW2, there was “little room on ship for liberal politicians who kept alive an aggressive and articulate concern with income distribution, economic planning or international idealism”. Just as clearly, there was now a diminished formal space “for those who were not hard headed enough or realistic enough to understand that growth and empire, unlike dissent and reform, meant concessions to established sources of power”.³¹

The legacy of the New Deal was not immediately assuaged, of course, but from the moment that business and government interests began their pragmatic coalition at the heart of the post-war strategy, the (patriotic internationalist) die was effectively cast, both within the US and, increasingly, within the post-war system it now sought to dominate. At Bretton Woods, this coalition strategy and the attitudes underpinning it were institutionalised at the heart of the post-war world order. Accordingly, at every (Keynesian) turn, US delegates tilted the Bretton-Woods Agreement toward the kind of global trade strategy which best suited US national interests - now represented as the interests of the global community per se.

Bretton Woods and the Pursuit of Patriotic–Internationalism

The Bretton –Woods era was a dream – an arrogant dream...The notion that we could rebuild the world and develop the industrial capacity of poor

²⁸ Cited in J. Kolko and G. Kolko, *The Limits of Power* (New York: Harper and Row, 1972): 23

²⁹ In 1946, of course, the US economy was effectively the world’s economy. With nearly half the world’s manufacturing produced in the US and with it controlling nearly 75% of the world’s gold reserves.

³⁰ See, Alan Wolfe, *America’s Impasse* (Boston: South End Press, 1981):12; Block, op. cit., 1977; and E. Helleiner, “From Bretton Woods to Global Finance”, in R. Stubbs and G. Underhill, eds., *Political Economy and the Changing Global Order* (London: Macmillan, 1994)

³¹ Ibid, Wolfe, 1981:23

countries and think that we would not someday have to compete with them and their low-wage rate labor – that was arrogant.³²

Two brief examples of the ‘patriotic internationalist’ strategy are worth recording at this juncture, in regard to the IMF and the World Bank, institutions created at Bretton-Woods to provide post-depression and post war stability in the global economy. The original IMF proposal (put forward by Keynes and Harry Dexter White) was centred on the regenerative potential of international liquidity. The idea being that a safe expansion of the international economy (via an IMF liquidity fund) would provide post-war national economies with the capacity for restructuring and regenerating their *own* futures, thus providing a stable ‘floor’ for the system as a whole, in the hope that none should fall through as in the depression years. Allied to this premise was one which argued that it was imperative that national governments control their *own* financial policy in relation to IMF liquidity funds, as a further spur to healthy (e.g. democratic) and stable redevelopment in the post-war years.³³

The actual IMF Agreement which emerged operated on significantly different premises, primarily because of the power of the US delegation, whose concern for free trade was exposed as very much secondary to a concern for a global trade regime dominated by the US. The result was an IMF which, instead of receiving \$US32 billion in liquidity funds for transference to ailing economies, received \$US1 billion. Moreover, instead of the funds being unconditional, a range of conditions were added to the process by which they were to be granted. Thus, funds (i.e. loans) could only be drawn in the currency in which they were to be repaid (i.e. read US dollars); they could only be drawn if “internal economic adjustments” were made (i.e. read adjustments in line with US economic policy); and they were to be contingent on no outflows of capital (i.e. read US restrictions on spending policy).³⁴

The original World Bank notion suffered the same fate. Initially perceived as a lending institution concerned primarily with sponsoring post-war social reform in Europe, it was effectively transformed, by a coalition of bankers and The US State Department, into another

³² The view of Christopher Whalen, an international financial consultant in Washington DC, cited in Greider, op. cit., 1997:287

³³ Wolfe, op cit, 1981:145

³⁴ Initially the figure of \$9 billion was agreed, but after the USSR dropped out of the fund – hardly an unexpected occurrence – the \$1 billion figure was granted. See Wolfe, Ibid: 147. See also F. Block, op. cit., 1977:32-34 and 110-114, on the IMF and the US “national capitalist assumptions” which underlay it.

vehicle of US national interest. This was achieved as the US delegation increasingly tightened the Bank's charter and, eventually, as it stripped it of the ability to lend money *per se*, leaving it only with the authority to guarantee loans derived from other (e.g. US corporate) sources.³⁵

At the first formal meeting of the IMF, under the auspices of the Truman Administration and amid an acceleration of Cold War tensions, any lingering ambitions that Keynes or the 'liberal internationalists' might have retained about the possibility of changing this strategy, and the nature of the new world order, were quashed further when the US delegation declared that the IMF was to be centred in Washington DC, and that the US government was to have veto power over the Bretton Woods institutions *per se*. This now confirmed to the US' post-war partners what Keynes and others had suspected from the beginning, that "the basic intent of US foreign economic policy [was] to facilitate the overseas expansion of US business."³⁶

If the die was indeed cast in favour of 'patriotic internationalism' at Bretton Woods then so, perhaps, was the flaw in its emerging globalisation strategy – a flaw that was to undermine Bretton Woods and lead to the current phase of globalisation after the 1970s. This again is not an issue that lends itself terribly well to brief or rudimentary analysis. Suffice to say that the flaw in question here was that emanating from the initial 'political' decision by the US at Bretton Woods to effectively *prevent* the growth of the post-war international economy *except* under US control and tutelage.

In economic terms this strategy was most obvious, perhaps, in the promotion of a liquidity gap in the global economy - and the attempt to fill that gap with US dollars.³⁷ The problem here, of course, was that as national economies in Europe and elsewhere (e.g. Japan under US leadership) began to experience significant post-war growth, the need increased for funds to finance that growth. This, by definition, placed pressure on the US dollar, now effectively the world currency and a currency pegged to the gold standard. The result was that huge amounts of US dollars, and its gold reserves, began to flow overseas as the post-war economic boom was financed via the US economy. This, in turn, created increasingly large balance-of-payments deficits for the new global hegemon which, initially (during the 1950s) it turned to its own advantage, but which eventually became a problem requiring significant reformulation of its

³⁵ See, Wolfe, *Ibid*, 1981:47

³⁶ See, F. Block, *op. cit.*, 1977: 163

³⁷ *Ibid* : ch. 5

global role – a reformulation, I suggest, which was to lead to the structural condition we now refer to as globalisation.³⁸

By 1960 the incoming Kennedy administration was faced with this balance of payments crisis – one the US could no longer ignore. The US deficit stood at this time at around \$3.5 billion and the outflow of gold reserves in particular was, according to Kennedy's economic advisors, the single most serious issue facing the country.³⁹ The problem for Kennedy was enhanced, however, by the fact that the most obvious courses of action open to him, to deflate the internal economy (e.g. via wage and price controls), place controls on the export of capital and/or cut back on US military spending abroad, particularly in Europe, ran counter to US national interests, as articulated by business leaders at home and a Congress committed to a Cold War containment of the Soviets. The 'deflation' option also ran counter to the views of those of a (broad) Keynesian inclination attracted to the Kennedy Administration and to a (brief) resurgence of the 'soft' liberalism that had been marginalised and vilified during the Bretton Woods meetings and in the early years of the Cold War.

Confronted with this stalemate situation the Kennedy years were spent tinkering around the edges of a Bretton-Woods system favoured by the banking and business sectors, and by the military-industrial complex that Eisenhower had warned of. There were, nevertheless, some attempts to more genuinely internationalise and liberalise the ostensibly-liberal-international system during the Kennedy era (e.g. the Trade Expansion Act, 1962, the Kennedy Round of tariff negotiations under the auspices of the GATT, 1963). These initiatives, however, like his (JK Galbraith inspired) plan to finally use the IMF as the source of greater international liquidity, were thwarted – primarily by two Kennedy appointees from the corporate sector – investment bankers Douglas Dillon as Secretary of Treasury and Robert Roosa, his major advisor on the currency and gold crisis.⁴⁰ This, even though it has been estimated that if Keynes' original plan had been introduced in 1945, it would have accumulated \$US 30 billion in unconditional liquidity – enough to finance the US deficit throughout the 1950s and 1960s.⁴¹

³⁸ Ibid:115-118 and 165-166; and Wolf, op. cit., 1981:152

³⁹For the figures, see Block, op.cit., 1977:141; and on the theme re. Kennedy see, Wolfe, op. cit., 1981:157

⁴⁰See, Wolfe, op. cit., 1981:159

⁴¹Richard Gardner, cited in Wolfe, op. cit., 1981:157. Ultimately, Kennedy ended up increasing military spending in Europe and worsening the balance-of-payments problems.

But the problems of thwarted liberal initiative and a worsening balance-of payments crisis were as nothing compared to that which followed for the US, now increasingly embroiled in the Vietnam War, a conflict which saw US strategic and economic policy effectively unravel as it began to lose its capacity to organise the global system, on its own terms, and as its post-war 'internal' coalition began to break down. The impact of Vietnam upon US society was, in this sense, an indication of the *precariousness* of its status as global hegemon in the 1960s and 1970s, even at its moment of unparalleled strategic and economic *power*. A precariousness centred upon the self-interested foundations constructed at Bretton Woods, and a 'patriotic internationalist' mind-set which worked to the great advantage of US national interest only while it remained possible to effectively freeze post-WW2 global political and economic relations in place. This became increasingly impossible as the US became more and more involved in Vietnam and as the sheer scale and cost of US military commitment, "deranged the Western [political and] economic system that the cold war had originally sought to cement."⁴²

Vietnam, the MNC 'Solution' and the New Balance of (Symbiotic) Power

The Vietnam War wrenched apart the post-war politico-economic coalition within the US elite, sparked off the greatest social turmoil since the Civil War of the 1860s, accelerated the collapse of the Bretton Woods system and, during the decade or so of US involvement in the War (approximately 1965-1975) induced a period of profound global change which even the Western superpower could not control - at least not in the traditional manner. In the aftermath of the War, nevertheless, the US sought other ways of regaining control, in acknowledging the need for 'burden sharing' and multilateral structures of global governance and, increasingly, in seeking to retain the benefits of hegemony while offsetting some of the costs - by actively supporting US multinationals (MNCs) in their global pursuit of 'free trade'.

In this way (and enjoying the breathing space afforded by *détente*) the US sought equilibrium after Vietnam as part of a refashioned global strategy in the post-Bretton Woods era. But major cracks now appeared in its global trade policy. Disputes between the US and Japan over textiles, and the US and Europe over food, began to surface as Cold War tensions were eased with the USSR. And there had been tensions between the US and Japan, in particular, during the

⁴² See, M. Hudson, *Global Fracture* (New York, Harper and Row, 1977): 49

Vietnam War, as the US currency crisis saw it reluctant to convert foreign currency holdings into gold and as the Japanese began to openly blame the US for its own rising inflation levels.

It was against this background that, in August 1971, Richard Nixon sought to solve some of these problems via a New Economic Policy, which decoupled the US dollar from the gold standard, thus rescinding the Bretton Woods Agreement and revoking the status of the US dollar as *the* global currency.⁴³ But at this moment of extraordinary volatility in global affairs, and with the Bretton Woods brakes taken off currency markets worldwide, the tensions within the post-war US coalition only increased as relations between its elite political and economic sectors began to crumble. The key factor here – and it was to become a key factor in the globalisation surge to follow – was the role and status of the MNCs and their increasing tendency to shift their allegiance and their investment focus away from the restricted ambit of the US policy framework and the ‘national’ interest per se. To understand something of why this was so, and of the implications it had for the US political sector in the 1980s and 1990s, is to focus again for a moment on the problems that faced the Kennedy and Johnson Administrations in the 1960s.

Unable for a variety of reasons to follow deflationary policies at home and/or decrease US military spending abroad, both Kennedy and Johnson turned to another kind of solution which had the distinct advantage of appeasing the business and military establishments whilst, potentially at least, alleviating the balance of payments crisis. This solution, simply put, was to further project the ‘internal’ directly into the ‘external’ realm – in this case by rapidly expanding the US private sector beyond US borders and providing massive support and encouragement for US corporations around the world. In return, as Robert Gilpin has proposed, “the United States government began to regard the multinational corporations and their growing overseas earnings as the means to finance America’s hegemonic world position.”⁴⁴ In this way Democrat administrations gained support from Wall Street and Republicans within the US and, as they increased their foreign exchange earnings abroad, the multinationals “enabled the United States to resolve, at least in part, the conflict between American economic and security interests.”⁴⁵

⁴³ During the Johnson Presidency, at the height of the Vietnam War in 1968, the US began this process via an announcement that it would no longer support the price of gold at US\$35 an ounce. At this point, though, it stopped short of refusing to redeem dollars for gold per se. See, F. Block, *op. cit.*, 1977:194. In August, 1971 it took this step. For a discussion of its broader implications, see Block, *Ibid*, chs, 7-8 and S. Strange, *op. cit.*, 1986

⁴⁴ R. Gilpin, *US Power and the Multinational Corporations* (New York, Basic Books, 1976):14

⁴⁵ *Ibid*.

The role of the US government in this reformulation of the post-war symbiosis was clear enough and it was effectively that which characterised the relationship during earlier mercantilist eras – i.e. to create and sustain the conditions under which the primary agents of market expansionism (e.g. corporations) could operate efficiently in the pursuit of maximum profit. This it did, for example, via a range of tax breaks for overseas investment, by demanding special trading status for US companies in the European Common Market and by creating the Overseas Private Investment Corporation (1969) which underwrote losses sustained by US corporations in conflicts with overseas Governments which Nationalised them.⁴⁶

The result was a huge increase in MNC investment, particularly in the Third World where, at least in the initial period, expectations and profit margins were high.⁴⁷ For most of the 1960s this solution to the US balance-of-payments problems worked successfully for both sides in the evolving post-WW2 symbiosis between state and capital. But with the escalating involvement in Vietnam and, subsequently, as the US domestic economy began to stagnate, the relationship became increasingly strained as the MNCs began, in the 1970s and 1980s, to disengage themselves from the original symbiotic format in favour of a new set of strategic interests that no longer necessarily coincided with those of the US.

The point here, of course, is that while both the US domestic economy and MNCs were growing together there was an obvious mutual benefit in maintaining the original arrangement. By the mid-1970s, however, with Japan and Europe becoming increasingly profitable centres for investment and with MNCs now able to draw upon new sources of liquidity (e.g. the Eurodollar market) there was a growing reluctance to simply repatriate profits back to the US. This now created an even more serious (and ironic) problem for the US Government which, after 1971 began to experience trade deficits in its dealing with rest of the world as it struggled to compete with overseas manufacturers – many of whom were US based MNCs.

In this context the ‘external’ solution to the ‘internal’ problem that had recommended itself to earlier US administrations was now no longer so compelling. On the other hand the increasing power and influence of the MNCs meant that the political sector was increasingly unable, and

⁴⁶ See, Wolfe, op.cit, 1981:162 This symbiotic relationship has continued, in relation to the preferential access to Government contracts, the special tax concessions, lack of control on capital flows and diplomatic assistance etc enjoyed by MNCs. On this see, Gurtov, op. cit., 1992:33 and the discussion re. the WTO later in this paper.

⁴⁷ On this issue see R. Barnet and R. Muller, *Global Reach* (New York: Simon and Schuster, 1974)

unwilling, to take them on even in favour of its national constituencies. There were moments, nevertheless, when protectionism was (explicitly) muted as a response to ‘unfair competition’ (e.g. Carter’s support for the Steel industry against Japanese ‘dumping’ practices) but the growing antagonism of the MNCs and big business interests towards political interference in their affairs meant that, from around the mid-1970s on, the great post-war symbiosis was significantly altered in favour of its external ‘economic’ dimension.

The new balance of symbiotic forces was confirmed with the establishment of the Trilateral Commission in 1973 an event which, I suggest, is of genuine significance for understanding the global pattern of power relations at the beginning of the 21st century.⁴⁸ In the mid-1970s it had two more immediate characteristics. The first was that it illustrated that the MNCs were now in the vanguard of a more explicit free-trade approach to global restructuring following the demise of Bretton-Woods. The second was that it illustrated that the US was no longer capable of planning and organising the global political economy - on its own terms - as it had been in 1945.

The result was a more pragmatically inclined US approach to systemic power which acknowledged (often begrudgingly) that its former European protégées, and the Japanese, were now powerful competitors with whom the burden of leadership must be shared, and that future US prosperity increasingly depended upon its relationship with a rapidly globalising business sector led by the major MNCs. The Trilateral Commission reflected this change in US approach and in the new ‘interdependence’ project deemed necessary to maintain its refashioned global ambition. It also represented a new phase in the elite politico-economic coalition operating at the core of the internal/external symbiosis which, since 1945, had shaped the US national interest and its global persona - *and which was now to be increasingly shaped by it.*

The Trilateral Commission was formed in 1973 with the Chair of the Chase Manhattan Bank (David Rockefeller) at its head and with Zbigniew Brzezinski as its Director until he left to become National Security Advisor to President Carter in 1977. In the ensuing years it has come to represent arguably the exemplary forum of corporate globalism. Its members have thus included US Presidents, Carter, Bush and Clinton and many of the leading members of their Administrations; The former Speaker of the House of Representatives, Thomas Foley, the

⁴⁸ Thus, even while its explicit influence might have waned it remains the template for the Triad structure. On the significance of a ‘neo-trilateralism’ of US, EU and Japan see Xabier Gorostiaga, *op.cit.*, 1993: 71

leaders of the world's major Banking organisations and the heads of the world's most powerful MNCs.⁴⁹

Not surprisingly the agenda of the Commission has reflected a globalisation project centred on MNC led interests and ambitions. Its aims were to be achieved, the Commission Reports indicated, by adherence to a rekindled laissez-faire economic theory (e.g. Friedmanite economics) which harked back to the golden age of the 19th century 'great transformation', and a designated role for the contemporary state (i.e. minimalist) which also harked back to that other great moment of runaway capitalism a century or so ago. It was also to be achieved, as a 1975 Commission Report insisted it must, by a conscious effort to deflate democratic influence and expectation which, the Report proposed, was incompatible with efficient market practice. Co-authored by Samuel Huntington, this Report warned in particular of the need to counter the influence of an 'excessive democracy' in the Third World and in the advanced 'liberal' states which threatened to undermine the authority of Governments and destabilise market relations.⁵⁰ In the new millennium this is a theme again of great significance among those concerned by the demise of the liberal state and the dangers posed by global forces to its democratic tradition.⁵¹ It is an issue, nevertheless, which is a little more complex than it sometimes appears in the 'loss of democracy' literature - as the 1975 Trilateralism Report recognised. Indeed, support for democracy within the state system, even from within its liberal sector, has never been as unequivocal as much democratic theory suggests, and when one ponders even briefly the response of the US policy elite in the period since the Huntington Report it is clear that (rhetoric aside) other principles and practices have received at least equal priority.

Above all there has been support for the market principles of corporate globalism and of a renewed 'patriotic internationalism'. This was evident enough during the Carter Presidency when, amid calls from conservative newspapers such as *The Economist*, for "aid not trade" with a struggling (and sometimes militant) Third World, the foreign aid budget was cut back to 0.17%

⁴⁹ See D. Korten, "The Failure of Bretton Woods", in J. Mander and E. Goldsmith eds., *The Case Against the Global Economy* (San Francisco, California: Sierra Club Books, 1996); see also E. Helleiner, "From Bretton Woods to Global Finance", in R. Stubbs and G. Underhill, eds., *Political Economy and the Changing Global Order* (London: Macmillan, 1994)

⁵⁰ See, M. Crozier, S. Huntington, and J. Watanuki, *The Crisis of Democracy: Report on the Governability of Democracies to the Trilateral Commission* (New York: New York University Press, 1975)

⁵¹ See, for example, A. McGrew, ed. *The Transformation of Democracy?* (Cambridge: Polity Press, 1997); and D. Held, *Democracy and Global Order* (Cambridge: Polity Press, 1995)

of GNP (from the 0.5% during the Nixon years).⁵² In line, therefore, with the new orthodoxy represented by the Trilateralists and others in the reformulated internal/external coalition, Carter, suggests one commentator, “resolved the contradiction between growth and social justice by giving up on the latter.”⁵³

This didn’t save his Presidency, of course, and indeed it might have accelerated his demise as militant groups from Angola to Nicaragua to Iran exhibited a violent anti-Americanism as part of their struggles against both the local and global status quo. Whatever the case, in bringing to power the neo-liberal Reagan Administration the defeat of the ‘soft’ liberal Carter undoubtedly accelerated the influence in Government, and in US society, of a globalisation project favoured by the MNCs, and the big (transnationally active) business sector. It also further cemented the relationship between the US and the corporate globalists of the Trilateral Commission, and of the new/old economic orthodoxy within the IMF, World Bank and the GATT.

In the early 1980s, consequently, the Reagan Administration took full advantage of the debt crisis which gripped the Third World, a crisis prompted largely by the problems of trying to service the huge loans made to First World banks during the 1960s and 1970s. The solution to the crisis provided by the US, in conjunction with the IMF and the World Bank, was to furnish compliant debtors with Structural Adjustment Loans which were to be quick disbursing and used primarily as interest payments to the private banks, mainly in the US.⁵⁴

This strategy had three major benefits for Reagan (and indeed for subsequent US Administrations) Firstly, it acted to rescue those First World banks that had become overextended in the Third World (thus carrying forward the tradition of protectionism under the free-trade banner); secondly, in locking many of the most important and potentially profitable of Third World states (e.g. Mexico, Argentina, Chile, the Philippines) into this loan strategy it committed their ruling elites more closely still to the US. Thirdly, via the Structural Adjustment Programmes (SAPs) that accompanied the loans, the US could further illustrate its commitment to the new corporate-globalist project and to its MNC led new world order.

⁵² See, A. Wolfe, *op. cit.*, 1981:22

⁵³ *Ibid.*: 228. A last minute attempt to increase foreign aid was made in 1980 but was overturned during the Reagan years.

Thus, in accordance with rules drawn up by the US Treasury Department, the IMF and the World Bank made desperately needed loan funds available if, and only if, debtor states accepted a range of SAP conditions. These included: the removal of restrictions on foreign investment in local industries, banks and other financial services; the reorientation of local economies towards exports - both to service the debt and the global consumer markets; the reduction of government spending and public goods servicing (e.g. health, welfare and education); the reduction of wage rates; the cutting of tariff quotas and other restrictions on imports from foreign companies; the devaluing of local currencies against foreign 'hard' currencies (i.e. the US Dollar); the privatisation of state enterprises; and the introduction of a deregulation programme designed to free corporate actors in particular from government controls protecting workers, the environment and natural resources. The effect of agreeing to this, in Waldon Bello's terms, was to "virtually turn over a country's economic policy to the World Bank and the IMF."⁵⁵

Two ironies now become particularly interesting, both in relation to this statement and to the application of SAP strategies in general. The first, undoubtedly tragic in its implications, is that in the aftermath of the first phase of SAP strategy a number of evaluatory studies were carried out into its affectivity around the world, particularly in Africa (e.g. by UNICEF economists and MIT economists). The result? It didn't work, even in its own terms.⁵⁶ As an MIT study concluded this was primarily because the IMF and the World Bank had simply got their (grand) theory wrong concerning the actual conditions in an African context. Consequently, it found, orthodox IMF and World Bank approaches designed to solve the problem of ailing economies by 'restructuring' them, actually created greater social and economic problems. In particular, via SAP strategies which reduced governments spending on social infrastructure, which cut wages and consciously run down the local economy in favour of globalised capital.⁵⁷

This becomes a particularly interesting finding when one takes the second irony of this issue into consideration. The fact that, by the 1980s, US workers and citizens were now also experiencing SAP type strategies and the kinds of social and economic crises that others around the world had

⁵⁴ See, W. Bello, "Structural Adjustment Programs: Success for Whom?", in J. Mander and E. Goldsmith eds., op. cit., 1996: 285

⁵⁵ Ibid: 286

⁵⁶ In terms of the rate of capital accumulation, the share of manufacturing in GDP, and the growth of exports – all of which showed negative results after SAP - and worse results than before SAP. See, Bello, op. cit., 1996: 288

⁵⁷ Ibid: 288

experienced for much longer under US and MNC sponsored programmes centred on such strategies.

Structural Adjustment, Neo-Liberalism and the American Dream in the Globalisation Era

In the 1980s millions of US farmers and factory workers and bank employees and secretaries and retailers came face-to-face with the implications of long-term 'structural' unemployment and the kind of anxious, uncertain future that had been the fate of others for so long. And by now generations of US citizens, infused with the same sense of personal and national destiny that had launched the 'American Century' only three decades earlier, were faced with another reality altogether - one in which they were surplus to requirements - just like the other 800 million unemployed or underemployed people around the world since the 1980s, the largest levels since the great depression of the 1930s.⁵⁸

William Greider summarises the moment well in recording the changing face of American society, as one in which:

corrosive self-doubt slowly began creeping into social consciousness, as larger and larger groups of citizens experienced loss or disappointed expectations for themselves or their children. The poor, as always, suffered most from the deteriorating prosperity, but their struggles were not the [main] source of alarm. The broad middle class was shrinking or else breaking in two...and the psychology of being American was darkening. ...Wage erosion and job losses crept steadily up the ladder – from the working poor to the blue collar factory worker to the white collar managerial ranks [And} home ownership, the principle marker of middle-class identity, began declining in 1981, slowly overall but most dramatically among younger families.⁵⁹

Now too the US political elite was faced explicitly with a dilemma that had been a part of a largely unspoken agenda since the decision was taken to bind US foreign policy to the economic fate of the MNCs in the 1960s. The dilemma of having to support globalisation strategies (e.g.

⁵⁸ See, J. Rifkin, "New Technology and the End of Jobs" in J. Mander and E. Goldsmith eds., op. cit., 1996:108; see also Scholte, op. cit., 2000: 234

⁵⁹ See, W. Greider, op. cit., 1997: 381

SAPs) that were increasingly seen to be working against the US national interest, and large sectors of its people.

This was a dilemma that Ronald Reagan took in his stride in the 1980s, in seeking to rekindle the American dream and the American national spirit at a moment of rising social concern. The moment, lest it be forgotten, of soaring corporate profit and the speculative golden age of ‘casino capitalism’ among the high rollers of a booming global economy. For the most part Reagan’s solution to this dilemma was represented as a question of faith – in the ‘American way’ in global affairs and in the judgement of its political and economic elites in the domestic context. Thus, during the 1980s and into the 1990s, and in the face of the stagnation in US incomes, the loss of high-wage jobs, the widening extremes of wealth and poverty and the nation’s increasing foreign indebtedness, one saw the rekindling of anti-Soviet Cold War theory and practice of the ‘worlds policeman ‘ theme in US foreign policy, and a folksy articulation of orthodox SAP strategy for concerned US citizens.

In the foreign policy context, at least in its own terms, the Reagan strategy was eminently successful. Some old scores were settled, some desperadoes captured and the Soviets eventually capitulated. And as the most powerful and increasingly strident voice within the new regime-centred structures of global governance (e.g. the World Bank and the IMF) the US could, and did, re-assert its destiny as ‘bound to lead’. Moreover, until the early 1980s, at least, the special relationship with the MNCs was still paying off, with inflow of monies repatriated from abroad (approximately 35 Billion US\$ per year) still looked upon as “like an annual bonus to the national economy, the returns from decades of previous investments around the world.”⁶⁰

But the special relationship was changing. US MNCs were now finding more profitable conditions elsewhere, to the extent that following the Reagan and Bush years of resurgent ‘patriotic internationalism’ the moderate trade deficit of earlier times had blown out to some \$180 billion by the early 1990s. By now the US was importing \$US 1.5 trillion more than it was exporting to the rest of the world, and as it sought to cover this trade gap it became involved in an “epochal shift of wealth, probably unmatched in human history” as other states and a range of foreign MNC investors bought up income-producing assets in the US.⁶¹ Consequently, since the

⁶⁰ Ibid: 202

⁶¹ Ibid: 204.

early 1970s, the US has gone from a structural position in which it held a surplus of foreign assets equal to 30% of GDP to one, in the mid-1990s in which foreign interests owned a surplus share of assets, equal to 8.5% of US GDP.⁶² And in the year 2000, 42% of the US National Debt is still owed to foreign interests.⁶³ Hence, the negative flow of profits and interest payments that now characterises the US economy and which, I will suggest shortly, remains the most crucial indicator of the current balance of (symbiotic) forces with the financial markets (and the MNCs) at the beginning of the 21st century.

For now, it is important to note that throughout this period which saw the reconfiguration of the US economy and of its social expectation, the Reagan Administration, encouraged by its corporate globalist supporters, invoked a policy agenda geared to the renewal of (a particular kind) of American Dream - based upon the emancipatory power of the individual in a society liberated by free-market principles. Market reformers were thus encouraged to transform the public sector and its (already limited) social welfare programmes into competitive private sector agencies of 'self-help'; tax levels were significantly reduced, particularly for upper-income groups and wealth holders; and extraordinary support was afforded to big business and to MNCs operating in the US, as an incentive to private-sector job creation.⁶⁴ During this period the ownership of financial wealth, like incomes, was further shifted towards an even smaller minority of the US population. A *New York Times* report in 1995 reflected this in proposing that in this period of unparalleled liberalisation and deregulation the top 1% of Americans ended up owning 40% of the nations wealth, with the top 20% claiming 80% of all wealth.⁶⁵

In retrospect, one of the most puzzling aspects of this era was Reagan's extraordinary capacity to win over so many US citizens to his warm and fuzzy vision of America's past, present and future at a time when daily reality so obviously contradicted that image. Some have explained this as a nostalgic desire on the part of American's to 'think away' the problems that actually surrounded them, and effectively follow their President back to a time when there were (apparently) simple

⁶² Ibid

⁶³ See, "Grandfather Federal Government Debt Report" at <http://home.att.net/~mwhodges/debt.htm> October, 2000

⁶⁴ General Electric, for example, had corporate profits of \$6.5 billion between 1981-1983, yet received a tax rebate of \$283 million from the US government. Due to the Reagan tax incentives, the GE tax bill went from \$330 million per year to minus \$90 million per year through the 1980s - as an incentive for it to employ more US workers. It didn't, and in fact shed nearly 50,000 jobs during this period. A period in which it used its tax windfall to engage in major corporate acquisitions. This was a pattern pervasive throughout the big business sector in the 1980s. See, W. Greider, "Citizen GE", in J. Mander and E. Goldsmith eds., op. cit., 1996: 328.

⁶⁵ Cited in J. Mander, "Facing the Rising Tide", in J. Mander and E. Goldsmith, eds., op. cit., 1996: 11

answers to complex questions and everything, and everyone, fell in line behind the star spangled banner.

This is understandable, perhaps, and there was undoubtedly a great deal of nostalgic yearning associated with the Reagan years. One element of which perhaps helps refocus the discussion more directly upon another dimension of the changing relationship between the state (US) and multinational capital in the current era, one which illustrates that the problems of structural debt associated with the 'MNC problem' are perhaps even starker in terms of the general relationship between the state and the globalised financial markets, the source of its borrowings and debt repayment. It concerns the promise made by the Reagan Administration in 1981 (and by the Bush and Clinton Administrations that succeeded it) to balance the US Federal budget in the face of the growing fiscal and social crises. In taking this course Reagan was indeed harking back to an age when (at least in the West) economies were stable and growing, wages and productivity rates rose together, inflation rates were low and government deficits were much smaller than they now are. More immediately, of course, he was acquiescing to an orthodox economic theory which proposed that by balancing the national account, and removing the burden of government spending from the private sector, there could again be old fashioned growth and stability in the national economies of the major states.

The problem with this proposition, as a variety of commentators have argued in different ways, is that it misses the point about the nature of the state-market symbiosis in the current era. Firstly, and primarily, because it assumes that national economies are still governed by national balance sheets, and are therefore amenable to purely 'internal' corrections capable of confronting a huge debt burden such as that facing the US. Secondly, because even if one acknowledges the influences of 'external' actors in this process, and in the process by which that debt burden might be overcome, it has an altogether too rational and too benign view of these actors. More precisely, it assumes that global financial markets, the lenders of funds for the repayment of the ballooning interest rates on national debt, will always act rationally - even in their own (neo-liberal) terms - and thus reward 'responsible' political behaviour on the part of borrowers by lowering interest rates.

The Clinton Years, the WTO, and the 'Parallel Reality' of the US Economy

This was an issue brought into stark relief during the early years of the Clinton Presidency when, in an effort to be seen to be acting 'responsibly' by financial markets after coming to power, Clinton set about a programme of fiscal contraction, designed to reduce the national deficit by a greater percentage of GDP than the Republican Bush Administration which preceded him. He was successful in this enterprise, and also in driving down the rates of government spending whilst reducing the rate of inflation.

Yet, against all predictions, market interest rates went up. Indeed, bondholders were by now actually getting much higher rates of return on the capital lent to the US government. The reason? Well, it had nothing much to do with what the US or other states were doing at the time however much their practices adhered to orthodox economic theory. It had much more to do with a kind of buying and selling frenzy within the bond market itself, which saw huge amounts of government bonds bought on credit as part of speculative chain reaction which gambled that market prices would continue to rise. They didn't, and the market crashed. In the ensuing chaos bonds were dumped, and market interest rates rose, despite all of Clinton's good monetary behaviour.⁶⁶

Beyond the 'technical' issues associated with this event, two general themes are worthy of comment on it. The first concerns the fact that by the early 1990s the 'economic' dimension of the great post-war symbiosis was arguably in the ascendancy and capable of imposing its will upon the 'political' in ways which, sometimes, neither side could control. The second only serves to underline the complexity of the symbiotic relationship between state and capital in the current era. It concerns the fact that the great bulk of the credit used by market speculators to pump-up the financial market to the point that it exploded and crashed - were supplied by the central banks of the *major states* - in particular the US Federal Reserve and the German Bundesbank.⁶⁷ The sheer bizarreness of this arrangement was such that "Governments [were now] entering into debt and borrowing heavily from individuals or financial institutions just to

⁶⁶See W. Greider, op. cit., 1997:287-292 thus proving "The ancient truth about Financial Markets – they are moody crowds not scientists." Greider, Ibid: 231

⁶⁷ This was a pattern repeated in 1996. The difference this time was that Clinton, in an election year, was happy enough for the US Federal Reserve to do nothing to inflame the situation in the speculative market by cutting interest rates to help the everyday 'real' or 'primary economy' of production and consumption in US society. See, Greider, ibid:305

pay interest income ...at usurious rates set by *another arm of government* – the respective countries central banks.” (my emphasis)⁶⁸

At first glance this example of ‘autonomous’ and damaging behaviour on the part of banks (including US banks) and an uncontrolled financial sector, would seem to undermine the notion of any functioning symbiosis between states and markets in the current era. On the other hand, and whatever judgements one makes about the behaviour of the major banks in this context, one needs to acknowledge that such behaviour continues to take place in a traditional political context, to the extent that it is largely carried in the sites where these banks are domiciled and/or where they operate to their best advantage, which tends to be the major states. This, I suggest, offers room at least for minimal optimism that something might be done to bring the banks, and the global financial markets per se, more consistently into line with an approach to political governance which serves not only their interests - but those most disadvantaged by their behaviour.

As this section of the paper has sought to illustrate, however, the solution to this problem cannot simply reside in proposals that the state ‘fight back’ against the external imposition of devastating global forces. It is, as indicated earlier, a more complex issue than this which requires an appreciation of how and why the state, in the case the most powerful of modern states, is *intrinsically* linked to these global forces and in many respects remain the primary facilitator of their power and status. This, does not rule out change and shortly I will turn to some of the more positive possibilities I foresee in the present context.

For the moment, in bringing the post-WW2 narrative up to date as it were, something more needs to be said about the problem now faced by the US as a consequence, largely, of policy decisions taken during this period, particularly regarding its increasing debt obligation to the global financial sector. This is a problem which has continued to impose itself upon the Clinton Presidency, even though his has been a highly successful, indeed exemplary, administration in terms of its ‘restructuring’ of the US economy in line with the (broad) SAP guidelines of the Reagan era. So successful that in terms of the everyday economy, at least, the US has driven down its levels of unemployment and inflation and has managed (at least officially) to balance

⁶⁸ The French economist Alain Parguez, cited in Greider, Ibid: 289

the ‘primary’ budget in the past decade or so - primarily via major spending cuts on government social welfare programmes.⁶⁹

Despite this, and leaving aside for a moment the social and political implications of the new ‘boom economy’ of the Clinton years, there remains a crucial disjuncture between this achievement and the *parallel reality* of the US national debt, which continues to escalate. In 1996, for example, as Clinton announced the upswing in the US economy which was to get him re-elected, the national debt figure was equivalent to 70% of GDP. In 1986 it had stood at 35% of GDP⁷⁰ Alongside the everyday balancing of the books in a ‘primary budget’ context, therefore, the US faces the increasingly difficult structural problem of having to borrow more every year to pay the interest due on its underlying and escalating national debt - to the financial markets and government bondholders. In 1980, this annual interest payment alone stood at \$US52.5 billion. By 1996, it had reached \$US257 billion – *a figure equivalent to that spent on national defence, or Medicare and Medicaid combined.*⁷¹

Again, if one leaves aside the complex ‘technical’ issues of dual accounting procedures here, the social and political implications of this situation auger very badly for great numbers of citizens, even in the ‘boom economies’ of the early 21st century, where SAP programmes reward those already imbued with wealth, education and the flexibility of mind and body required by the new dot.com culture and the IT generation, but render insecure, at best, those without such attributes. Those US workers, for example, who having lost their jobs in the early 1990s were forced to accept a 23% drop in wages when employed again in the new streamlined economy. And that 80% of the US workforce who have seen their wages stagnate or decline in the restructured

⁶⁹ The ‘primary budget’ relates to spending on actual government programmes – balancing the books in this regard means balancing these spending outlays against tax and other revenues, a surplus – means spending on government programmes was less than the figure received from tax revenue. On the dispute re. this ‘surplus’, see footnote 24 in this paper. However, it is the various social costs of the cuts to government spending that has alarmed non-orthodox economists and others in the US since the 1980s. See, James K. Galbraith, *op. cit.*, 1997

⁷⁰ Other major states are in a worse position. Italy’s underlying debt burden, for example, is about 124% of its GDP, Belgium’s 132% and Sweden’s 95%. See, Greider, *op. cit.*, 1997: 285

⁷¹ See, Greider, *Ibid*: 308. The point, as Greider explains it is that “Each year the American economy [is] taking on new balance-of-payments deficits equal to 2 to 2.5% of its total economic output. And the nation is borrowing to cover this shortfall at real interest rates between 3.5 and 4%. When interest rate payments and the negative flow of ‘factor incomes’ are added, it means that the nation’s foreign debt obligations are growing at a much faster pace than the underlying economy that would have to pay it. The equation, if continued, defines the class debtors trap, familiar to any household that tries to live on its credit cards and has to keep borrowing more each month to pay for last months spending. Eventually the gap between debt payments and income becomes too great to sustain”:203

economy at time when corporate profits have been higher than for a quarter of a century and the stock market has regularly reached new price peaks.⁷²

From this perspective the strong performance in the stock market during the 1990s, is not the primary issue in gauging the success or failure of US free-market policy.⁷³ More important are the widening gaps in inequality between the haves and have-nots in the US which are now, wider “than in any other time since World War 1”.⁷⁴ The key issue here, according to economists such as James K. Galbraith, has indeed been the way in which successive US governments have chosen to answer to the question of how to confront the national debt problem. A choice which rejects public policies designed to create and sustain a revenue base (and tax levels) capable of producing large surpluses and protecting social services - in favour of one which continues to follow SAP policies, retrench the welfare sector and cut back further on other public sector outlays. Hence, a rise in inequality “among the highest in the industrial world”, and an increasingly polarised society in which “the rich develop an ethos of their own – an ethos of exaggerated individualism, of independence from the state, and rejection of public institutions” and other (e.g. tax) obligations.⁷⁵

The fact that there might be something wrong with this strategic equation has not escaped President Clinton, and a sense of confusion and frustration has sometimes accompanied his enthusiastic invocation of the old/new theory and practice. In 1995, for example, he articulated his frustration in a manner that summaries splendidly the broader issues at stake (and the deeply embedded complexities) in the US/globalisation relationship.

I came to this job [the President said] committed to restoring the middle class and I did everything I knew to do....We increased investment in education, in technology, in research and development. We expanded trade frontiers. We have seven million more jobs. We have a record number of millionaires. We have an all time high stock market. We have more new businesses than ever before...*And most people are still working harder for lower pay than*

⁷²Ibid: 197

⁷³ The Dow has risen some 10% in value during the Clinton years, increasing the wealth of investors by unprecedented amounts. See, “Clinton’s Last Chance to Laugh in the Face of Fate”, in *The Canberra Times* Jan, 20, 1999:9

⁷⁴ See, J.K. Galbraith, op. cit., 1997:147

⁷⁵Ibid: 15

they were making the day I was sworn in as President. My emphasis ⁷⁶

In many ways the most important theme in this candid expression of a President's frustration with the new global era is not the admission that, despite his best efforts, "most people" were worse off than they had been a few years earlier. It was the admission that he had done "everything he knew to do" on their behalf. Because, as this paper has emphasised, this 'knowledge' - whether articulated by Conservative or Republican, Trilateralist or Business CEO or neo-liberal economist over the past half-century - is as much the source of the problems faced by the US, as the catalyst for any solution to them. It is a knowledge nevertheless (of humankind, of markets, of politics, of the modern good society) which the Clinton Administration and its corporate allies have continued to espouse into the 21st century, both within the US, and in the forums of global governance where the earlier 'liberalisation' initiatives of the Reagan and Bush years have been vigorously supported.

This has been most powerfully evident in the strategic trade policy undertaken by the Clinton Administration, particularly in the Uruguay round of GATT negotiations (1986-1993) which also saw the emergence of the World Trade Organisation (WTO) in 1994.⁷⁷ The birth of the WTO was represented as a triumph for the US and its global trade policy. In many respects it was. Above all the US got what it wanted in relation to the future of GATT, with its incorporation into the WTO, a fully-fledged institution created to deal with global trade and to carry out strategies of global liberalisation, deregulation and privatisation. In this way the Clinton Administration was able to achieve for itself, and for the MNCs, what earlier US Governments had sought, unsuccessfully, to achieve. In particular, with the WTO, the US global trade policy was provided with an ordering mechanism (via the WTO's institutional and legal sanctions) which its national/global interests required in order to overcome the problems of slow negotiation experienced during the GATT years. Its direct neo-liberal interests were also provided for also, as a *Wall Street Journal* editorial illustrated in 1994, proclaiming the main purpose of the WTO as getting "governments out of the way so that companies can cross jurisdictions (i.e. national boundaries) with relative ease".⁷⁸

⁷⁶Cited in Ibid: 197

⁷⁷For an overview of this process see P. Nicolaidis, "The Changing GATT System and the Uruguay Round Negotiations", in R. Stubbs and G. Underhill, eds., *Political Economy and the Changing Global Order* (London: Macmillan, 1994)

⁷⁸Cited in R. Nader and L. Wallach "GATT, NAFTA and the Subversion of the Democratic Process", in J. Mander and E. Goldsmith eds., op. cit., 1996: 95

More generally, the Uruguay Round experience illustrated that the ‘patriotic internationalist’ coalition in US society is alive and well, as exemplified in the crucial practical assistance provided by governmental delegates to private sector advisory groups, and by the special access to US Trade representatives granted to the major MNCs. During the Uruguay Round negotiations, for example, these advisory groups were composed of more than eight-hundred business executives and corporate sector consultants, while representation from other sectors (e.g. unions and citizens associations) were almost negligible. Similarly, a business coalition (The ‘Intellectual Property Committee’-IPC) comprised of representatives from IBM, Du Pont, General Electric, and others, was accorded such influence by the US Trade delegation that they were able to claim later that the US Department of Commerce, “permitted the IPC to shape the US proposals and negotiating positions.”⁷⁹

The symbiosis between state and corporate capital was very apparent also in the more explicit political dimensions of the WTO process. Never more so than when it was enthusiastically supported by the Clinton Administration and approved by a US Congress - even though it was opposed by a whole range of US citizens organisations including “every environmental and labor group and major family farm, consumer, religious and civil rights organization”, and even though public opinion polls showed that a majority of Americans were opposed to it.⁸⁰

The willingness of a US Government to ignore such opposition is perhaps understandable when one ponders the power invested in the WTO to make globalisation work. Above all (and unlike the GATT) the WTO can make and enforce the rules by which global trade must take place. WTO rules, moreover, are privileged over national, state and local laws and, unlike the GATT, the WTO has the legislative capacity to impose sanctions on those it judges to be in breach of its rules. An expanded ambit of rules which now include a non-tariff barrier category, aimed at measures that are not tariffs in the formal sense, but which act to inhibit ‘free-trade’.⁸¹

⁷⁹Ibid, Nader and Wallach, 1996: 99

⁸⁰Ibid: 101

⁸¹Ibid: 98 A primary target here are those national and local protections associated with health, safety and environmental issues, which now can be challenged by MNCs - as a breach of WTO rules. Challenges in 1995, for example, included those against the Thai governments attempts to limit cigarette sales, Canadian re-forestation legislation, Danish bottle recycling laws, and Malaysian and Filipino bans on raw log exports.

More generally, and unsurprisingly, given that it emerged from the protracted negotiations between the EC and the US, the rules and general concerns of the WTO prioritise the developing commercial interests of those most able to take advantage of changing global work practices and new global technologies. Consequently, whereas the GATT had a traditional and relatively restricted ambit of trade concerns, the WTO agenda is increasingly oriented towards free-trade access in the new service sectors, e.g. in banking, insurance, IT, the media, tourism and advertising, areas of special ‘comparative advantage’ for Northern MNCs and the focus of their new investment strategies in the 21st century.⁸²

This is not to suggest *per se* that the WTO has been set up to further exploit those most vulnerable in the global marketplace. There is, after all, a passage in the Preamble to the Uruguay Round Agreement which speaks of the desire to ‘promote economic growth and well being’ worldwide.⁸³ Throughout the WTO resolutions also there are intimations about serious intent on the part of the major actors – concerning better and fairer access to Northern markets. Yet, in February 2000, six years after the WTO rules on trade access were pronounced and sanctions upon protectionism invoked, the governments of the three major trading economies - the US, Japan and the EU - acted together to scuttle an UNCTAD plan aimed at giving forty-eight of the poorest exporters of agricultural products access to their markets. At the forefront of the protectionist barrier was the US, which acted to cripple the UNCTAD proposal before it was put forward by developing countries at the WTO (in Seattle) where it might have become a binding agreement on members.⁸⁴

This piece of updated cynicism (or ‘patriotic internationalism’) aside, none of this necessarily explains why US workers and citizens were so opposed to the WTO (or indeed to the NAFTA agreement of 1994) in the first instance. Until one reflects upon the fact that amid a rising culture of insecurity within many areas of US society, the WTO rules and provisions are perceived as dangerous in that they can be applied equally to the US and to its citizens. As, indeed, they have

⁸²Under WTO rules such investors must now be afforded ‘national treatment’ in those areas they target for investment. Which means that they must receive the same trading terms as national and local companies when competing with them. The advantages to the huge banking concerns, IT companies, media conglomerates and insurance and commercial health sector MNCs are obvious enough here, particularly in the developing world. Even more so when one takes into account that the WTO provisions exclude environmental, health, labor or human rights considerations, and that its ‘dispute resolution system’ is centred on a dispute tribunal of foreign trade bureaucrats which excludes non-governmental organisations, local officials and legal representatives, citizens groups and the media. Ibid: 102

⁸³ See, P. Nicolaides *op. cit.*, 1994:241

⁸⁴ See, P. Alford, “Big Three Economies Act to Squeeze Out the Poor”, in *Weekend Australian*, 19.2.2000

been, with the EC, Japan, Canada and Venezuela, among others, challenging a range of US laws in recent times, including those which seek to ban asbestos in public buildings, which restrict driftnet fishing and whaling and which limit the lead content in consumer products. The US government and its corporations have, of course, retaliated - by targeting European and Japanese laws - as in the recent US challenge to European bans on growth hormone in beef.⁸⁵

This, it is suggested, is the very process that was feared by many Americans in 1994 and which now, is alerting greater numbers of US citizens to the dangers they face in a 'competition state' world where corporate actors - including their own government - are likely to target many of those laws and protective measures which traditionally have enhanced their quality of life. The danger, in this sense, is that the WTO inspired tit-for-tat process will continue "until all laws protecting people and their environment have either been reversed or replaced by weaker laws that do not interfere with the immediate interests of the corporations."⁸⁶ Just as worrying, in this regard, is the way in which US democratic traditions and processes can be undermined by the WTO provisions, and by the apparent willingness of the US Government to acknowledge the primacy of WTO rules over those traditionally associated with the US legal system. An example of which was President Clinton's decision to review all US environmental legislation in order to make sure that it complied with the WTO free-trade agenda. A decision, which apparently surprised some political observers because it meant that the US, "administration voluntarily sacrificed US sovereignty."⁸⁷

As the discussion above has sought to illustrate, this is by no means a new tendency. Indeed, since the US acknowledged in the 1970s that it could no longer organise and control the global system - in its own terms - it has consciously bartered away some elements of its sovereignty (e.g. its power to make entirely autonomous decisions regarding its political-economy) as part of a strategy by which it might retain its 'leadership' role in an interdependent, multilateral world order. Or, in the terms often used to promote the 'competition states' proposal, the actions of the US on WTO issues illustrates that it has reformulated the priorities of its national interest, *in order to become a major player in the provision of 'regulatory goods' at the global level - even if this means a relative loss of sovereign power over this function at the national level.* The WTO targeting of protected social sectors and workplace conditions is, in this context, a timely and

⁸⁵ See, Nader and Wallach, op. cit., 1996

⁸⁶ Ibid: 98

⁸⁷ Ibid: 104

fortuitous piece of reciprocal assistance towards the abrogation of its national ‘distributive goods’ obligations.

This perhaps sounds more cynical than it is meant to. It is, after all, no more than an articulation of neo-liberal principles in the current era and, in this case the reiteration of a fundamental neo-liberal tenet, which insists that market forces, unhindered by Government, are the keystone of economic growth at both domestic and global levels and therefore intrinsic to the US national and global interest. Indeed, this is precisely how President Clinton represented the US relationship to the WTO and the decision to develop the NAFTA initiative with Canada and Mexico. The point, insisted the President, was that even though the Cold War was over, the US must still lead the world and must remain its “engine of global growth”.⁸⁸

For some, less sanguine about this continuing ambition to be the global ‘engine’ pulling the rest of the world along a corporate track, this is where the ‘patriotic internationalism’ of the post-WW2 growth coalition becomes a dangerous illusion, both for US society and for the global community in general. In the former context, it is dangerous because it fails to comprehend a reality beyond its own image of a prosperous America reaping the benefits of its structural adjustment strategies at home and abroad. A reality, as one commentator has put it, of an America increasingly “splitting apart...into a rich and impoverished nation.”⁸⁹ For others, another illusion becomes immediately prescient – that concerning the direction the globalisation ‘train’ is actually heading in and the ultimate destination, therefore, of both its leading ‘engine’ and of its many passengers. This is where, in this paper, the issue of Triadism becomes important and I want to turn to this issue now as a final line of inquiry into the question of what globalisation ‘is’ and how it came to be what it is.

But is it Globalisation After All?: The Triad Issue and the Question of ‘de-Linking’

The Triad issue centres on the proposition that, neo-liberal rhetoric aside, the ‘globalisation’ of the current era is not that ‘global’ at all - nor is it likely to be in any foreseeable future.⁹⁰ This is more than the reiteration of some alternative figures on the spread of globalist icons – important

⁸⁸ Cited in Greider, *op. cit.*, 1997:195

⁸⁹ See, J.K.Galbraith, *op. cit.*, 1997: 267

though it is to remember that in terms of the ‘one-worldism’ theme - in the year 2000, only 3% of the world’s people actually have access to the internet; only 18% of the world’s population have ever made a phone call, there are more telephones in Tokyo than on the whole continent of Africa; and 94% of the market in computer software takes place in the countries of the OECD.⁹¹ This, nevertheless, is a useful thematic introduction to the Triad issue as, more directly, is the fact that in the early 1990s over 75% of the accumulated stock of Foreign Direct Investment (FDI) was held by Northern MNCs, and that 60% of all global flows of investment were Northern bound.⁹²

The significance of these figures, in the present context, is that they further problematise a central tenet of corporate-globalist logic and of the rationale of ‘patriotic internationalism’ - that the liberalisation of global markets and the deregulation of political systems is leading to an expanded free-trade regimen and more opportunity for market participation and prosperity. This has not necessarily been the case in the current era of globalisation. Moreover, if one concentrates less on the quantity of the ‘financial flows’ at the core of these globalisation claims and more on their ‘*direction*’, one finds that the ‘new’ global position is actually very reminiscent of that which preceded it, in that global trade (and the profit from that trade) is actually flowing in much the same direction (from the poor world to the rich major states) as it has for centuries under the traditional state system.

Three indicators of this trend are worth pondering here. The first, records that between 1980 and 1990 there had been a net transfer of capital from the Third World/South to the major industrialised states of some US418 Billion. The second, from a joint World Bank/OECD study, concludes that of the additional profit which will flow from the increased ‘free trade’ regimen under the WTO, 70% of it will go the major political and economic actors of the rich north.⁹³ This judgement is further supported by an UNCTAD conclusion that the poorest 48 countries in the world stand to lose \$US300 - \$US600 million per year as a direct result of WTO strategies regarding (reduced) export access and (increased) food imports.⁹⁴

⁹⁰ It is important to note here that this is not the same as claiming that globalisation is somehow ‘unreal’ – that the impact of neo-liberal strategies have not been really felt worldwide. The suggestion, more precisely, is that the dominant *neo-liberal* claims for the ‘reality’ of globalisation (see footnote 23) are problematic, at best.

⁹¹ The internet figure is in J.A. Scholte op. cit., 2000:87. The others in Scholte, Ibid: 243-244

⁹² Scholte, Ibid

⁹³ These figures are to be found in J. Brecher et al eds., op. cit., 1993:60

This still begs the question of whether, in relative terms, the recipients of these macro trends are becoming *more* impoverished because of them. Like many issues on the globalisation agenda this is a question of great complexity accompanied by data open to wide interpretation. Suffice to say that, in some regards, global poverty can be said to have declined during the current globalisation era. A UNDP Human Development Index in 1994 reported that there had been a 50% decline in the numbers of people living in absolute poverty between 1960-1992. Indeed, since 1950, more people had escaped poverty than in the past 500 years, the UNDP Index suggested. Other sources propose that average per capita income has more than doubled between 1950-1980, while average life expectancy has increased by 17 years in roughly the same period. This, plus evidence of decreasing child mortality rates and increasing literacy rates make heartening reading for those still concerned in the new Millennium about the ‘wretched of the earth.’⁹⁵

But at least two caveats are necessary in regard to these figures and the trends they appear to illustrate. The first is that they refer disproportionately to the NICs of East and Southeast Asia and parts of Latin America (i.e.Chile) which, for a variety of reasons, received special investment status in the early phase of the MNC led global trade strategies of the late 1960s and 1970s.⁹⁶ The second caveat is that in absolute numbers the numbers of people living in poverty has actually increased during the current era of globalisation. A World Bank Report (1996) estimating that 1.5 billion people are now surviving on the equivalent of \$US1 per day. Complementing this data, a UNDP report in the mid-1990s, proposed that 70 countries in the poor South have experienced no rise in per capita income, since the 1970s, while 43 countries have actually experienced a decrease in per capita income back to the levels of 1970.⁹⁷ A Human Development Report (1992) verified this trend, concluding that the richest 20% of the world’s peoples, living in the richest states, receive 82.7% of the world’s income while the poorest 20% receive just 1.7%. In the past half-century, moreover, the richest 20% of the worlds population have gone from being thirty times better off than their counterparts in the South, to being sixty times richer. And the gap continues to widen.⁹⁸

⁹⁴ See, J.A. Scholte, op. cit., 2000: 215

⁹⁵ Ibid: 212-213

⁹⁶ A situation which, for many, changed dramatically after the economic crisis of 1997-8

⁹⁷ Cited in Scholte, op. cit., 2000: 234

⁹⁸ See, D. Korten, “The Failures of Bretton Woods” in J. Mender and E. Goldsmith eds., op. cit., 1996: 24

Some of the worst poverty figures have actually come from parts of the old Soviet Empire, with life expectancy in these areas declining after the fall of the USSR.⁹⁹ But it is the plight of people in Sub-Saharan Africa which is most alarming, where the scale of poverty is as great now as it was in the mid-1960s. More specific data shows that in the year 2000, 33% of children under 5 years of age are malnourished in this region.¹⁰⁰ Indeed, as a Human Development Report (1994) confirmed after its investigations into the economic conditions of 173 countries worldwide - 22 of the bottom 24 were in sub-Saharan Africa. Little wonder, as Robert Kaplan suggests, Africa appears to be “falling off the world economic map”.¹⁰¹

The question of whether or to what extent the globalisation project discussed in this paper is directly responsible for this situation is again a highly complex and contentious one, and in many of the contexts just mentioned ‘internal’ factors (e.g. corruption, endemic warfare) are of undoubted significance. But, even from within the global (Northern dominated) hierarchy there is now acknowledgement of a direct connection between the imposition of neo-liberal policy frameworks and worsening economic and social conditions. Accordingly, even the IMF and the World Bank have begun (in the mid-1990s) to review their approach to SAPs, in the wake of evidence that during the ‘boom economy’ of the 1980s, many of the world’s poorest countries were encouraged to cut their health and welfare budgets - even as (non-emergency) malnourishment ravaged large sections of their populations.¹⁰²

It is too early to make judgements about the effectivity of these IMF/World Bank initiatives, but as the global flows evidence of investment and profit (above) indicates that the prospects for the global poor look grim indeed. This is where the Triad theme offers a more precise explanation of how and why this is so. It does so, for example, in Ricardo Petrella’s study of global capital flows and patterns of FDI, over the past two decades or so.¹⁰³ Above all, Petrella’s findings make clear that “the *ownership* of capital still remains the dominant factor of economic and socio-political power in the world” and that capital is still very much in the hands of a few major powers, (e.g. the traditional state elite, their Trilateralist allies and a relatively few corporations

⁹⁹ See, Scholte, op. cit., 2000:234

¹⁰⁰ See, C. Hines, “East, West, Home is Best”, *The Guardian*, 6.10. 2000: 21

¹⁰¹ The Report is cited in, and the quote comes from, R. Kaplan, *The Ends of the Earth: A Journey at the Dawn of the 21st Century* (New York: Random House, 1996): 12

¹⁰² See Scholte, op. cit., 2000: 234-5

¹⁰³ See, R. Petrella, op. cit., 1996: 68

in these states) who, above all, appear intent on organising the global era of free trade in a traditional (status quo) manner.¹⁰⁴

A general example of the strategy, and of the attitude of the new global hierarchy is apparent in the pattern of global investment between the 1970s and 1990s. It was during the early 1970s, for example, that Northern banks began transferring huge amounts of surplus (petro-dollar) capital from the OPEC countries, to finance development schemes in the poor countries of the South, further trapping the developing world in a vicious circle of debt and dependency, at little cost or risk to the profit-takers in the affluent North. The implication of this for the loan recipients has been devastating and one of the main reasons why poverty alleviation strategies have been unsuccessful. Between 1970 and 1997 the debt figure rose to \$US2.2 trillion. Between 1980 and 1994 alone there was an increase of \$US 1.3 Trillion, mainly in accumulated unpaid interest.¹⁰⁵

The massive accumulation of debt in the early 1980s, via unpaid interest rather than new credit, is particularly interesting because it coincides with the moment when Northern investors began to turn away from the South and began to systematically turn inwards to a Triad strategy. Between the early 1980s and 1989, therefore, the share of the worlds capital stock heading to the poor South was slashed from about 14% to 2%.¹⁰⁶ Since this time capital flows have become increasingly concentrated within the three richest regions of the world - the US, the EU and Japan and the 'four dragons' (Hong Kong, Taiwan, South Korea and Singapore).

Japanese policy since the 1980s provides a particularly instructive example of this not so global strategy in this regard. As the single largest foreign investor in the global economy (26.93% of total FI compared to the US' 16.4%) the Japanese have been exemplary in maintaining economic power in the hands of the wealthy Triad nations. Thus, since the 1980s, approximately 64% of Japanese trade loans, 70% of its direct offshore investments and 95.5% of its portfolio investments have gone to the other two regions of the rich-world Triad. Overall, this kind of behaviour has seen the less developed countries of the world "abandoned as sites for

¹⁰⁴ Its worth noting here that the largest 100 companies from about 40, 000 major MNCs, control up to 50% of global FDI. See, J.A. Scholte, *op. cit.*, 2000: 130

¹⁰⁵ *Ibid*: 215-216 – There is still investment outside of the Triad – some to China (but see footnote, 117) to Eastern Europe, and to India, Brazil, Mexico and Chile. Even when this is taken into account the best 'alternative' figure I am aware of suggests that 75% of FDI still takes place within the Triad and OECD. See, D. Goldblatt, et al., *op. cit.*, 1997: 278-279

investment.”¹⁰⁷ A situation, Petrella concludes, which is set to continue, leading him to the view that if globalisation means anything in relation to its ‘global flows’ intent, it stands for a ‘triadization’ strategy, involving narrowed processes of technological, economic and socio-cultural integration between the richest and most powerful regions of the world and the richest and most powerful *states* in the world.

But this is not just a pattern intrinsic to the behaviour of the major states. It is repeated in terms of the narrowing investment strategies of MNCs. In regard to the business activities of multinational firms between 1980 and 1990, for example, of some 4,200 cooperative agreements concerning the global trade of goods and services - 92.% were between firms in Japan, Western Europe and the US. The more specific statistics concerning FDI patterns only confirms this pattern, and indeed illustrates that the past few years has seen an increasing *truncation* of market activity among corporate companies, rather than any global extension of it.¹⁰⁸

Consequently, while MNCs in the rich Triad have increasingly invested among themselves in the period since the mid-1980s, the ‘global’ capital flow has all but dried up when it comes to the countries of Africa, Latin America, the former Soviet Union, most of Eastern Europe and most of Asia – countries which encompass the great majority of people on earth. Indeed, in 1999, over 85% of world trade *per se* and over 90% of the production of advanced sector goods and services (e.g. electronics) and almost all of the headquarters of the top 100 MNCs in the world were concentrated in the Triad countries.¹⁰⁹ Summing up, Petrella suggests that:

The ‘triadization’ of FDI is the result of investment flows which have created a fundamentally different international economic situation than that of the 1960s and 1970s. Until the beginning of the 1980s, the developing countries had a role to play, though limited, as countries of origin and of destination. Since the 1980s the Triad has accounted for around four-fifths of all international capital flows.¹¹⁰

¹⁰⁶ See, Petrella, *op. cit.*, 1996: 70

¹⁰⁷ *Ibid.*: 70

¹⁰⁸ On this issue see also D. Drache, “Keynes and K Mart”, in R. Boyer and D. Drache, eds., *op. cit.*, 1996:38 which is especially good on inter-company business trends which compliment the broader trends.

¹⁰⁹ See, M. Mann, in T. Paul and J. Hall, eds., *op. cit.*, 1999: 245

¹¹⁰ See, Petrella, *op. cit.*, 1996: 77

This, for Petrella, adds up not to a world of global free-trade, but of a politico-economic strategy of ‘*de-linking*’ - between the worlds rich and poor peoples. A strategy of inclusion and integration on the one hand and exclusion and abandonment on the other. For Michael Mann it leads to the conclusion that, for all the extraordinary changes of the contemporary age, globalisation remains, “a geo-economic order, dominated by the economies of the advanced nation-states.”¹¹¹

Globalisation: the Question of Meaning Revisited

It is in this sense, more generally, that for historical sociologists and international historians (and the odd IR scholar) there has been no *fundamental* systemic change in the new era of globalisation. On the question, moreover, of whether territory and hierarchy still matter, in the new millennium, the answer is a resounding yes, particularly in terms of the ‘de-linking’ practices of global capital. A resounding yes is appropriate too concerning the question of whether borders still matter. Or, more precisely, while it might be the case that global capital is more ‘indifferent’ to states and borders than ever before – it clearly remains much more respectful of some than others.

On this basis also, it seems that a theme associated with the most traditional of state-centric theorising, concerning the ‘necessity’ and ‘inevitability’ of *the inequality of nations*, is seemingly alive and well at the core of a globalisation project ostensibly designed to open such ideas to the forces of the neo-liberal ‘free market’. It would seem too that the age of the ‘old’ debates - between Marxists, liberals and realists - is far from over. At least if one acknowledges that a fundamental aim of the current globalisation project is to enhance the power, prosperity and status of those most advantaged by (advanced) capitalist relations of production, and to impose upon a heterogeneous global community a ‘Western’ political and cultural hegemony based upon an individualist ontology and a naturalised social utilitarianism.

It is in this context then, and in the context outlined for it via the reformulated questions of ‘meaning,’ above (p.12) that the current globalisation project is still very much part of the historical and intellectual process by which the modern capitalist state system has become the template for the global good society in the 21st century. A project sparked off by tensions within

¹¹¹ Ibid: 245

the ‘patriotic internationalism’ of US post-WW2 global policy, and accelerated by neo-liberal theory and the practices of an MNC led capitalist ‘break out’ in the 1980s. A project which has worked effectively and efficiently for small minorities around the world (in the Triad states in particular) but which appears neither capable of, nor interested in, providing conditions of enhanced security, prosperity or social justice for the great majority of the world’s people, including many within its Northern heartland.

Some Thoughts on the Question of Resistance

Which begs the very obvious and oft asked question of what, if anything, can be done to change and/or reform a project such as this, in ways which might make it more sensitive to those left out of its ‘globalist’ concerns. This is not a question that I can even begin to address in this paper in other than rudimentary and speculative terms, and in relation to one aspect of an ‘arc of possibilities’ (i.e. beyond the traditional ‘art of the possible’) concerning future global orders which I will relate, primarily, to the US though it has broader (and perhaps more positive) resonance with other the rich Northern states of the OECD and some of those in Continental Europe in particular. It suggests that under increasing pressure for a return to a ‘culture of security’ and (ironically) to protect the profit motive, the neo-liberal bubble could well burst and a neo-Keynesian based reformism will come to characterise the Northern heartland of globalisation.¹¹²

I have some reservations about such an outcome, not least regarding the rekindling of Keynesian grand theory in a more complex economic age. But I do think there is something in the notion that a Keynesian type of social and economic reformism might well follow the bursting of the neo-liberal bubble - not in the dramatic form that Polanyi described in relation to those ‘counter-movements’ which followed the ‘great transformation’ of the 19th century, but for traditional reasons nevertheless. Reasons which have to do with an abiding problem within capitalism (and the neo-liberal world view). The problem of an incredibly successful mode of production which can create supply much quicker than it can create new demand - and which throughout its brief

¹¹² The question of why reformism and not a more radical solution to the problem is not one I can deal with here. Suffice to say that a liberal-reformism of this kind is all that I can envisage in the present context. Given, also, that I am referring here primarily to a US context, social revolution based on class grievance is not going to happen – in a society where class-based revolt was long ago invalidated as an ‘American’ issue, and suffocated beneath the anxieties of race and religion and a psycho-analyst inspired ‘internalisation’ of the individualist ontology.

and extraordinary history has never been able to resolve the problems of an ever expanding productive capacity overrunning the available market of consumers.

The genius of capitalism, as a modern productive force, has been its ability to create more and more from less and less - to increase its production of 'things' while decreasing the costs of the productive process (e.g. costs associated with capital, labor or raw materials). The great and abiding problem of this process, however, is that capitalism requires consumers able to *buy* the goods it produces or it is confronted with the problem of surplus production and eventually, perhaps, of falling profits and market collapse. The traditional solution to this dilemma has been to keep creating more consumers - more markets to soak up surplus production and regenerate the productive process. Capitalist states and their corporate partners have sought to do this in the past few decades, by utilising the technological revolutions of the IT era to create new markets, globally. Indeed, in many respects, *this is the logic of globalisation stripped bare*. But as the Triad theme has indicated, and as the increasing impoverishment of so much of the globe illustrates, this particular globalisation logic has some inherent frailties. Frailties which might, just might, act as a catalyst for change to the mind-set and policy orientation of a US neo-liberal elite, otherwise seemingly impervious to the down side of its globalisation project.

One element of this down-side concerns the implications for consumerism of years of globally 'restructured' economies around the world. An ILO Report in the mid-1990s, for example, estimated that in the wake of this restructuring process, 33% of the world's peoples willing and able to work, were now underemployed or underemployed, a situation not seen since the great depression years.¹¹³ A situation not helped at all by the strategies of MNCs, who actually employ only 3% of the world's workforce and whose whole strategy is about shedding jobs rather than creating them (i.e. producing more for less).¹¹⁴ The spin off in the rich world - the cradle of consumerism - has been a decline in general wage rates and the development of a new employment structure based, increasingly, on part time and service sector employment, a situation which might itself presage a new crisis of consumerism.

The key to such a crisis is not just the decreasing levels of disposable income within the ranks of those traditionally at the heart of global consumerism, but the decidedly shaky prospects of the

¹¹³ Cited in C. Hines and T. Lang, "In Favour of New Protectionism" in J. Mander and E. Goldsmith, op. cit., 1996: 487

¹¹⁴ Ibid: 489

next generation of workers in the service sector. Particularly shaky in this regard are American workers, who after two decades of adapted SAP strategies are in a situation where 76% of them are now employed in the service sector, a sector which now accounts for 72% of GDP.¹¹⁵ The problem for these workers, and for the US and its consumer driven ‘globalism’ is that this sector, above all, is vulnerable to the next phase of technology driven elimination and/or transference to even lower wage rate areas of the world.¹¹⁶

When the Triad theme and the ‘de-linking’ strategy is added to the analytical mix it becomes clearer as to why this might be the potential basis for a new consumer crisis, given that the projected new consumer surge in the poor South appears, at best, some way off yet.¹¹⁷ There is another dimension to the Triad issue which offers a prospect for change, in this context, even in the face of any backlash from the financial sectors and MNCs. This is the fact that whatever else the Triadism theme represents it suggests, very strongly, that *the capitalist sector needs the comfort zone of the major states as much as they need it to fulfil their neo-liberal policy ambitions*. Thus, should the profit incentive associated with neo-liberal globalisation warrant change due to lowered levels of consumption, and should the financial and corporate sector threaten a ‘flight of capital’ - they might have nowhere to ‘fly’ to. As one financial economist has put it, “No one wants to locate the Chicago Board of Trade in Bangkok or Jakarta. They want to be in the United States or maybe five or six other countries where their transactions and their wealth will be safe.”¹¹⁸

In this context a major state - or group of strong states - might well be able to call the bluff of the global borrowers and creditors and MNCs, and regain control of their economies on behalf of both their supply *and* demand sectors. In such a scenario it might then be possible to re-introduce

¹¹⁵ See, R. Higgott, op. cit., 1996: 35

¹¹⁶ An Anderson Consulting Company report suggests that commercial banking alone will shed 40% of its jobs in the US by 2002 with other service jobs facing a similar fate in the years to come. Hence, *The Wall Street Journal* proposition in the mid-1990s that “Much of the huge US service sector seems to be on the verge of an upheaval similar to that which hit farming and manufacturing” in the 1980s. See, J. Rifkin, “New Technology and the end of Jobs”, in J. Mander and E. Goldsmith eds., op. cit., 1996 116-117

¹¹⁷ The ‘China market’ is often represented as the ultimate basis for optimism in this context. It might be one day, but it is worth pondering (i) after 20 years of double digit growth China’s per capita GDP is lower than that of Russia in the year 2000 (China, \$US3,800 – Russia, \$US 4,200); (ii) While China’s population might be 1.2 billion, the “true size” of its market could well be “around 150 million”; (iii) That “economic disparity” is the most striking characteristic of China’s market reforms since the 1980s with the average rural resident (the great majority of people) having an income about 33% of that of the minority of citizens in the big cities. These are the views of political and business people given in evidence to The Select Committee on Foreign Affairs, House of Commons, 2000. Thanks to Dr. Shaun Breslin of Warwick University for his assistance on this issue.

¹¹⁸ Cited, in W. Greider, op. cit., 1997:323-324

some reformist themes aimed at lifting the burden from the middle and lower income PAYE sectors of the community and those Government services presently squeezed by neo-liberal policy frameworks. The aim here would be to promote a high wage, high-quality employment structure and a high value-added economy to regenerate the tax revenue base.

To achieve this aim states would need to become explicitly active again in both macro and micro economic planning, particularly in regard to the imposition of capital controls upon foreign exchange transactions (e.g. the Tobin Tax); the re-regulation of financial markets, and the construction of a strategic trade policy designed to counter the ‘predatory’ inclinations of freed-up capital.¹¹⁹ More specific measures might also be taken. States could place controls on the nature of MNC investment in their territories (e.g. site-here-to-sell-here policies) and controls could also be re-introduced on banks, and pension and investment funds in order to localise capital flows (e.g. invest-here-to-make-profit-here policies). A number of alternative policy options might then further redress the balance in the ‘global’ and ongoing symbiosis between state and market, politics and economics.¹²⁰

Such change will not take place overnight nor without the kind of pressures exerted upon neo-liberal governments which make them seriously re-examine their current cost/benefit analysis regarding their support for the global corporate and financial sectors over the majority of their own citizens. Indeed, at best, I am only cautiously optimistic concerning this scenario, particularly in a US context where the post-WW2 commitment to ‘patriotic internationalism’, and to the historical and intellectual components of the neo-liberal world view remain deeply embedded.

¹¹⁹ The ‘Tobin Tax’ is named after the Nobel Prize winning economist James Tobin who in an article “Tax the Speculators” *The Financial Times*, 22 December, 1992 p154, introduced the idea of such a tax.

¹²⁰ See Scholte, op. cit., 2000: ch. 12