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**The Visible Power of the Transnational Capitalist Class:
The Case of the World Economic Forum**

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A thesis submitted in partial fulfilment of the requirements for the degree of
Doctoral of Philosophy in Politics and International Studies

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Declaration

I hereby declare that the work contained in this thesis is my own, that the thesis contains no published material that did not arise from work on the thesis or material that has been used in another thesis, and that the thesis has not been submitted for examination for a degree at another university.

Abstract

This thesis examines the role of the World Economic Forum (WEF) in the rule-making of 21st century global governance. It offers a critique of existing accounts on the transnational capitalist class (TCC) and the WEF, as a site of this class, that are based on an artificial differentiation between state and market actors. Such artificiality assumes a power relationship that allows market actors to discipline state managers and shape the state's policy-making along their accepted principles and norms. Thus, the involvement of the state in the WEF's activities is viewed as a manifestation of this disciplinary power. The thesis argues that the state participates in such activities in response to the imperative of managing capital-labour relations at a global level necessary to reproduce the capitalist social relations of production within its jurisdictions. From an Open Marxist perspective, it argues that the state is a political manifestation of class struggle and an inherent feature of the social relations of capital accumulation. Whilst this indicates that state managers pursue policies that favour the reproduction of the social relations of production, this imperative is not deterministic or a reflection of the disciplinary power of the market. This thesis shows that the argument that the WEF has an influence over the state's social and economic policy-making is not supported by evidence. It presents a substantial, archive-based, re-assessment of the influence of the WEF's discourse of international competitiveness over the state. It shows through studying the institutionalisation of competitiveness in the UK how the country has responded selectively to the imperative of state competitiveness. It demonstrates that the engagement of state managers with the discourse of competitiveness is an attempt to secure the circulation of global capital within the economy in order to help reproducing capital accumulation that drives economic growth, employment and living standards.

List of abbreviations

BCI: Business Competitive Index

BERR: Department of Business, Enterprise and Regulatory Reform

BIS: Department of Business, Innovation and Skills

CBI: Confederation of British Industry

CCI: Current Competitiveness Index

CDA: Critical Discourse Analysis

CEO: Chief Executive Officer

MNC: Multinational Corporation

CI: Competitiveness Index

DHA: Discourse Historical Approach

DTI: Department of Trade and Industry

EMF: European Management Forum

ERT: European Roundtable of Industrialists

ESA: Employment Support Allowance

ESRC: Economic and Social Research Council

EU: European Union

FDI: Foreign Direct Investment

GATT: General Agreement on Tariffs and Trade

GCI: Growth Competitiveness Index

GCI': Global Competitive Index

GCR: Global Competitiveness Report

GDP: Gross domestic product

GI: Growth Index

ICC: International Chamber of Commerce

ICT: Information and Communication Technologies

IDA: Interpretive Discourse Analysis

IGWEL: Informal Gathering of World Economic Leaders

ILO: International Labour Organisation

IMD: International Institute of Management Development

IMF: International Monetary Fund

IO: International Organisation

IPR: Intellectual property right

IR: Industrial relations

IT: Information Technology

JSA: Jobseeker's Allowance

MGI: Market Growth Index

NAFTA: North American Free Trade Agreement

NGO: Non-governmental Organisation

OECD: Organisation for Economic Co-operation and Development

OM: Open Marxism

OPSI: Office of Public Sector Information

TC: Trilateral Commission

TCC: Transnational Capitalist Class

TNA: The National Archives

TNC: Transnational Corporation

TUC: Trade Union Congress

UNCTAD: United Nations Conference on Trade and Development

UNIDO: United Nations Industrial Development Organisation

USSR: The Union of Soviet Socialist Republics

WB: World Bank

WBCSD: World Business Council of Sustainable Development

WCY: World Competitiveness Yearbook

WEF: World Economic Forum

WHO: World Health Organisation

Chapter One

Introduction

Background to Research

Although the 1970s is considered as the decade of fundamental state restructuring, this process has never ended, is still in continuation today and will most likely remain so into the future. The impact of such a process is felt every day by ordinary people, politicians and businesses alike. Each is affected differently and, accordingly, each has a different role to play in relation to it. What is of great interest in this regard is the relationship drawn in most of the International Political Economy (IPE) literature between this process of state restructuring and an external global force that shapes its contours, that is named as 'globalisation'. Hence, all the social, economic and political changes in our life become presumed to be determined by an external force. Our quality of life, living standards, rates of economic growth and employment are said to be conditional upon the nature of our relationship to this external force.

Recently, however, fields outside of IPE have unravelled the nature of this external force shaping the state restructuring process. In the Sociology and Network Analysis fields, scholars identified the core engine driving capitalist globalisation. They argue that there exists an emergent Transnational Capitalist Class (TCC) that governs the world today. It is a class that dictates to everyone in all positions and level of power their task and role. Specifically, capitalism has become a global system and its traditionally national capitalist class has become a transnational class that rules the global economy and determines the nature of change within each and every nation-state. Nonetheless, this class is arguably different from anything that capitalism has

experienced before, it constitutes a qualitative and quantitative change. It is an all-encompassing class, one to which all figures of power in a given society gravitate towards, thus serving to maintain its hegemony. In addition to the capitalist owners of the means of production, the structure of this class includes politicians, and the professional and cultural elites of the society. Most importantly, today they all identify with this class and work to uphold its interests that are presented as identical to the interests of the society as a whole. Thus, our survival, well-being and prosperity become presented as conditional upon the dominance of this class and the role each of its components perform in contemporary capitalism.

Moreover, TCC scholars have taken their research a step further¹. They have argued that this class has developed its own global sites where it conducts its power and constructs its policies as well as the discourses that help to channel these policies into everyday politics around the globe. These are sites where all members of the class come together to coordinate and communicate their ideas and roles and devise strategies that serve the interests of the class itself. These interests are centred on the smooth functioning of the global system of capitalism and the removal of any blockages from the path of capital accumulation, the engine of economic growth and the source of the prosperity of the society. Global organisations such as the World Economic Forum (WEF), the Trilateral Commission, Bilderberg, the European Roundtable of Industrialists (ERT), the International Chamber of Commerce (ICC) and the World Business Council of Sustainable Development (WBCSD) are the active agents of the TCC. Given their structure and the role they play as global policy groups, and most importantly the involvement of state actors in their activities, they form the “political organisation of capitalism on a

¹ Leslie Sklair, *The Transnational Capitalist Class* (Oxford: Blackwell LTD, 2001), William I. Robinson, *A Theory of Global Capitalism: Production, Class, and State in a Transnational World* (Baltimore and London: The John Hopkins University Press, 2004), William K. Carroll, *The Making of A Transnational Capitalist Class: Corporate Power in the 21ST Century* (London: Zed Books, 2010).

transnational basis”². These groups represent the locus where the concentration and centralisation of influence in the global capitalist economy materialises, they are believed to be of such great power that, today, they are shaping the nature of the 21st century global governance and, more specifically, state policy-making from above. Yet, surprisingly, little analysis has been conducted by the TCC scholars, and others, on the role of global policy groups, their transformative effect on the state restructuring process, and the channels through which they project their influence. Although these policy groups are believed to be integral to solidifying the hegemony of the TCC, they have so far been mentioned merely as examples of the manifestation of the existence of the TCC.

It is the magnitude of such developments, which date back to the 1970s, that precipitated my interest in conducting this research. The power ascribed to this class and the implications of its emergence is significant with regard to the structure and effectiveness of corporate and global governance. Although the TCC is attracting increasing attention as a subject of interest to academic research, IPE has so far distanced itself from a critical and thorough engagement with this development. Except for few studies conducted by Neo-Gramscians such as Gill and Van der Pijl, no systematic analysis has been conducted to examine the power of this class and its multiple agents of global policy groups, or to map out the extent of its influence on national social and economic policymaking³. What is more is the fact that the research of the Neo-Gramscian scholars who engaged with the topic have not reached different conclusions from those of the Sociology and Network Analysis Scholars. Accordingly, we are left with

² Jean-Christophe Graz, “How Powerful are Transnational Elite Clubs? The Social Myth of the World Economic Forum”, *New Political Economy*, 8:3 (2003), pp. 322-4, The ongoing, however, not entirely established global system of capitalism as a project of the TCC depends largely on the efficiency of what Clarke terms ‘corporate-government collusion’, Tony Clarke, “Taking on the WTO: Lessons from the Battle of Seattle”, *Studies in Political Economy*, 62 (2000), p. 12. See also Robinson, William I. and Harris, Jerry, “Towards A Global Ruling Class? Globalization and the Transnational Capitalist Class”, *Science & Society*, 64:1 (2000), pp. 1-30.

³ Kees Van der Pijl, *The Making of an Atlantic Ruling Class* (London: Verso, 1984); Stephen Gill, *Atlantic Relations: Beyond the Reagan Era* (New York: Harvester Wheatsheaf, 1989); Stephen Gill, *American Hegemony and the Trilateral Commission* (Cambridge: Cambridge University Press, 1990).

nothing but to believe that our present and future have slipped away from our hands; that the agency of change is only an elitist property; that power is imposed upon us from the global level with only a narrow window for escaping it, which in turn depends on us realising the fatality of the situation and developing our consciousness to pursue change. However, even this window seems to be depicted as shrinking as we live every day because the hegemony of the powerful is viewed as being cemented by our own actions and our own passive attitude and submission to it.

Such a representation of reality is magnified when considering most writings on neoliberal capitalist globalisation. The recent rise and embeddedness of the neoliberal discourse of competitiveness has been considered as the surest sign of the power of the TCC. The fact that most states have engaged with the discourse and adopted it as the modus operandi of social and economic policymaking encouraged many IPE scholars to jump to the conclusion that the external restructuring of the state is now being operationalised through competitiveness. Competitiveness has become a word that has been socialised into our everyday life. It has instant visceral appeal; a word that defines the social, economic and political dynamics of the 21st century; a word that also has become the key legitimising tool of the social and economic re-engineering that is arguably necessary to achieve higher economic growth, employment and living standards; it has arguably defined the global recovery from the 2008 economic crisis. Our social welfare, quality of life and very survival have become conditional upon enhancing our competitiveness. Therefore, since every change in society is ascribed to the power of the TCC and its agents of global policy groups, IPE has yet to provide a more theoretically convincing and empirically rich account of the TCC structure and its political and economic role in the policymaking of the state.

The Research Puzzle and Objectives

The debate surrounding the power of the TCC over state restructuring, the role of global policy groups, and the influence of the neoliberal discourse of competitiveness has yet to answer a set of very important questions in order to provide a more coherent and critical analysis of contemporary changes in the global economy and their impact on the role of the state in society. Adequate theoretical and empirical foundations must be constructed in order to supplement the current research on the TCC with further clarity and comprehension.

Therefore, the questions that this research seeks to answer in order to account for the gap in the debate on the TCC and its global policy groups and to help examine its power over the state restructuring process are the following: First, how has capital become concentrated in TCC configurations? Answering this question is important for various reasons. It will enable a broader understanding of the emergence of the TCC and of the factors, conditions and forces that have driven the crystallisation of the capitalist class at the transnational level. This, in turn, will help identify the agency that made such a capitalist development possible in the first place. Most importantly, such an endeavour will show us who in fact constitutes a member of the class. IPE has not responded yet to the representation of state officials as members of the TCC and as agents of its hegemony.

Second, to what extent are global policy groups powerful today and how is their power projected? As depicted in the literature these groups are powerful because they draw on economic, political, social and cultural forms of capital. But what the literature has failed to establish is the nature of the relationship between these components of the groups' capital. To be able to make sense of the proclaimed power of the WEF for example, this question is important in order to highlight the rationale behind the involvement of each component of the TCC in its activities and the interests they seek to serve.

Third, how does the structure and role of global policy groups impact on the functioning of capitalism and the structure of capital accumulation? Assuming that all the components of the TCC do indeed identify with the class and its interests, we need to examine the spheres within which they operate and the ways in which their roles are executed. Since the interests of the TCC are served by the complementarity of the tasks performed by all components, the dynamics of the process need to be further elaborated.

Fourth, what is the nature of the state's relationship with the TCC and its policy group agents? This question is of fundamental importance to the theorisation of the state and its role in contemporary capitalist society. The literature, both on the TCC and the global policy groups, offers an instrumentalist structuralist and/or a reductionist account of the role of the state in relation to the TCC. Its assumptions are based on a separation of the state from the market in the sense that the latter can always manipulate the former to function in its interests. What undermines such a depiction is its lack of consideration of the dynamic relationship between social forces that essentially shape the role of the state in a capitalist society, which essentially ascribes agency to one social force at the expense of others. Hence, when depicted as such, answering the question of how and why the state has adopted the neoliberal competitiveness discourse as its *modus operandi* becomes a straightforward one. Simply, the state does so in order to serve the interest of global capital and the TCC. This simply draws a one sided analysis that leaves no space for the impact of the national socio-economic conditions in determining the nature of change in state policymaking. A departure from such straightforwardness become possible when we implement an Open Marxist framework that allows an analysis free from reductionism, structuralism and instrumentalism. This will be explained in further detail in Chapter One of this thesis.

Moreover, after having laid out an adequate theoretical framework through which to analyse the structure of the TCC and the role of the state in a capitalist society, the implications of adopting the neoliberal discourse of competitiveness for the functioning of the TCC and global capital accumulation will become clearer and the agency driving the development of capitalism will become more visible. In doing so, this research will offer an alternative perspective for comprehending the state restructuring process.

In order to achieve these objectives, this thesis will critically engage with the TCC literature from an Open Marxist perspective in order to map out the structure of this class in such a way as to present an analysis that is not deterministic, structuralist, or instrumentalist as is mainly the case in the literature. The analysis will be supported with a case study in order to enhance its clarity and test the relevance of the arguments made in the debate in relation to one of the global policy groups. This will be the WEF, one of most renowned transnational private organisations today. As is argued in the literature the WEF shapes the rule-making of 21st century global governance. Since it incorporates the main components of the TCC in its structure and activities, it represents a good case study to be examined especially in relation to the state and its restructuring process. This thesis will therefore examine the discursive power of the WEF. It will engage critically with its competitiveness discourse as a channel through which it seeks to project its power and influence over the state's social and economic policymaking. Furthermore, in order to assess such power, the thesis will investigate the relationship between the WEF's discourse of competitiveness and the competitiveness standards put in place within the UK, both in discourse and in practice.

By so doing, this thesis aims to contribute to the field of IPE through: first, offering an alternative perspective to the study of the TCC that overcomes the separation between the state and the market and provides a more sophisticated account of the emergence, structure, and power of the TCC. Second, it will contribute to the study of global policy groups through

analysing the structure, activities and influence of the WEF, an organisation that has so far received little attention. Third, it will critically analyse the impact of the discourse of international competitiveness as a carrier of the neoliberal ideology of globalisation. As a result, this research will offer an original account of the operationalisation of competitiveness within the nation-state. Specifically, by investigating the institutionalisation of the discourse within the UK, it will provide a critical analysis on a topic that has become the centre of a heated debate among political parties and on a discourse which has become gradually embedded within society.

The Argument

This thesis argues that the weakness of the TCC literature lies in its lack of a proper concept of class and a theory of the state. Thus, the claims the literature makes regarding the state, class and the relationship between the national and the global; between globalisation and the state; between labour, capital and the state, are inadequately founded. Through Open Marxism (OM) and a Marxist concept of class, the thesis deconstructs the current theorisation of the TCC. I argue that such a theoretical framework allows us to look at the role of the state differently, that is, without economic determinism or instrumentalising the state by capital, and/or labour, as is the case in the TCC literature. As “circuit managers” I argue, states’ relation to the TCC should be seen as a manifestation of the consciousness of their role in managing class relations, which are global in nature, within their national boundaries⁴. In that sense, what seems to be an imposed discipline of competitiveness on states by the TCC,

⁴ Peter Burnham, “Marx, Neo-Gramscianism and Globalization”, in Andreas Bieler, et al, eds., *Global Restructuring, State, Capital and Labour: Contesting Neo-Gramscian Perspectives* (New York: Palgrave Macmillan, 2006b), p. 192.

is in reality a product of the management of capital-labour relations characterised by antagonism, and by struggle in and against domination in order to sustain the continuation of global capital accumulation.

Therefore, the state's involvement within the structure of the WEF should be seen in relation to the reproduction of class relations and antagonism; the reproduction of capitalism on national and transnational levels. When states accept standards of competitiveness produced by the Forum as a way of channeling its power, this should not be considered as evidence of their self-identification with it. On the contrary, it should be perceived of as an acceptance of their responsibility for managing capital-labour relations on a national level⁵.

Thus, the hegemony of the discourse of competitiveness has to be seen outside of the prism of the cultural hegemony of the TCC, as Neo-Gramscians would argue⁶, but rather as a manifestation of the form of containing labour within capital and maintained by the state. The penetration of competitiveness into national policymaking evident today is the form class struggle has taken politically. Therefore, adopting competitiveness standards is not a tool for achieving or enforcing the hegemony of the TCC in a neoliberal globalising age as much as a nationally modified form of capital-circuit management by the state.

The thesis argues that the academic debate on international competitiveness lacks the empirical depth necessary to solidify its findings. That is, rather than basing the discussion on how much influence the competitiveness discourse has on the state's policymaking, an adequate analysis

⁵ The nation state isn't "the container out of which" the transnational emerges but it is one political node within the transnational. The transnational, political and economic are "initially and continually mutually constitutive to the production and reproduction of social relations". Huw Macartney and Stuart Shields, "Space, the Latest Frontier? A Scaler Relational Approach to Critical IPE" in Stuart Shields, Ian Bruff, Huw Macartney (eds.), *Critical international political economy*, pp. 29-30.

⁶ In this respect, the state is seen as "the entire complex of theoretical and practical activities" with which the ruling class not only "maintains its dominance, but manages to win the consent of those over whom it rules"⁶. Antonio Gramsci, *Selections from the Prison Notebooks* (edited and translated by Q. Hoare and G. N. Smith) (London: Lawrence & Wishart, 1971), p. 244. See also, Bob Jessop, *State Theory: Putting the Capitalist States in their Place* (Oxford: Polity Press, 1990), p. 341.

requires a closer engagement with the discourse itself as produced by its agents. Specifically, after investigating the engagement of the UK with the discourse, the thesis argues that although there seems to be an increasing use of the Global Competitiveness Report (GCR) as supporting evidence underpinning the policymaking process in the UK, it is evident that the WEF figures only as one discourse among many, national and transnational, in the national policymaking of the UK. This should be understood as a reflection of national needs and conditions of capital-labour relations. The British state is only one political node in the global system of capitalism, a node that is not identical to other nodes given its specific relationship to capital. Its involvement in the activities of global policy groups such as the WEF is a form of management of this specific relationship. It originates from the need to reproduce capital and its exploitation of labour within its jurisdictions. What's more, while it is true that politicians have become place sellers through the discourse of competitiveness, their practice is derived from the conditions of their national environments that dictate a specific form of management of capital-labour relations and a specific relationship with global capital.

Therefore, the evidence found does not support the argument that state restructuring is an external imperative imposed by global capital or intended to maintain its hegemony over the state and its citizens as argued in the debate on the TCC, WEF, and the debate regarding the influence of the discourse of international competitiveness. Neither does it yield much support for the argument made in the TCC literature that politicians are part of the TCC and work to maintain its hegemony. Rather, the evidence found is enough only to suggest an overlap between national and transnational discourses of competitiveness which has to do, perhaps, with the global nature of capital rather than the far-reaching power of global policy groups. This is, however, not to suggest the absence of the influence of the WEF as a discursive formation, but to draw attention to the importance of building arguments in the competitiveness debate on more robust evidence.

Methodology

The main research methods used in this thesis are the analysis and interpretation of a wide range of primary documents from the WEF and from government archives in the UK, as well as the analysis and interpretation of a wide range of secondary sources such as government publications, newspaper articles, interviews and the critical analysis of tertiary literature.

The majority of the primary sources consulted are the relevant public and private records held at the WEF in Davos. Some of the documents consulted were released from the years beginning in late 1989. However, given the confidential nature of the WEF documents before then, some of the publications were provided to me by the WEF as a way of demonstrating their interest in my research and upon an agreement signed with the Forum that obliges me to secure the confidentiality of the document provided. That is, the agreement states my freedom to use and quote the content of the reports provided in my research, but not to share the documents with a third party. Yet, not all the WEF's documents useful for this thesis were accessible which constitutes one of the limitations of this research.

With regard to the other government archives consulted, they were obtained from the public records held at the National Archives (TNA) in Kew, which were released under the thirty-year rule in January 2007. I have consulted a wide range of documents that include government white papers, various publications of state departments such as the Business Innovation and Skills Department (BIS), previously known as the Department of Trade and Industry (DTI) and later the Department For Business, Enterprise and Regulatory Reform (BERR), Office of Public Sector Information (OPSI) and other departments involved in social and economic policymaking in the UK. In addition to these sources and in order to incorporate the broadest views possible in the analysis, I have consulted online archives such as the British Political Speech Archive and The Margaret Thatcher Foundation Archive in order to make use of

documented political speeches relevant to my analysis, which date back to 1961. Both of these archives offer free access to all interested users.

Although the use of archival materials have been very beneficial to my research, I have been aware of the likely shortcomings of conducting an extensive documentary analysis in relation to credibility, representativeness and meaning. Moreover, I have realised how the focus on public records can include a “top-down bias” type of analysis⁷. Therefore, I have tried to minimise the weight of such a possibility through consulting a wider group of public and private archives. Furthermore, in order to respond to the issue of credibility and interpretation of the documents which are considered important challenges when engaging with public records⁸, I have contextualised my analysis of the archival materials within the social, economic and political conditions within which these materials were produced in order to make greater sense of the objectives of their authors⁹.

Additionally, for the purpose of supplementing the analysis with more recent views, I have conducted a set of semi-structured interviews with public and private figures at institutions most relevant to the research scope such as the WEF itself, the Trade Union Congress (TUC), Cardiff Centre for International Competitiveness, and Belfast Centre for Competitiveness as well as at LSE Enterprise. The participants in my interviews were made aware of the content of my research and the questions it seeks to tackle. In doing so, I ensured that the participants were not deceived and that my research covered the ethical standards required in academic research¹⁰. On this basis, the interviewees authorised the use of the content of the interviews to the benefit of my research and granted their consent to be explicitly identified by name. The

⁷ Peter Burnham et al, *Research Methods in Politics*, 2nd Edition, (Basingstoke: Palgrave Macmillan, 2008), p. 211.

⁸ Ibid. p. 212.

⁹ John Scott, *A Matter of Record: Documentary Sources in Social Research* (Cambridge: Polity Press, 1990), p. 31.

¹⁰ Alan Bryman, *Social Research Methods*, 2nd Edition (Oxford: Oxford university Press, 2004), pp. 514-516.

interviews were transcribed and stored confidentially. Thus, the participants in my interviews were treated as “intelligent beings” capable of deciding the manner in which the information supplied by them “is used, shared and made public”¹¹.

Structure of the Thesis

This thesis is divided into nine chapters. Chapter Two attempts to deepen the foundation of the TCC literature by considering other academic works that have flagged up the development of a class configuration outside the state, although from a different perspective and with a more bounded focus. It will do so through reviewing the neo-Gramscian literature on the Atlantic Ruling Class and will argue that this constitutes a legitimate ground upon which to establish a TCC literature. After that, the core TCC literature will be surveyed so that the underpinning theoretical and empirical foundations of the TCC can be analysed. It will be shown how the literature has hitherto portrayed the TCC, its formation, structure and role in the contemporary world economy. The chapter will address the theoretical gap in the literature through providing a theory of that state that will help to better our understanding of the position of the state within this transnational formation. It will draw upon Open Marxist theory and will demonstrate the benefits of approaching the topic from this perspective.

Chapter Three will shed light on the process of the transnationalisation of the state in the second half of the past century through focusing on the relationship between the state and global capital. It will highlight the conditions of the global market and class struggle by contextualising it, first, within the Keynesianist form of regulation of the relations between

¹¹ Oral History Project, “Is Your Research Legal and Ethical?: Practical Steps”, *Oral History Project*. <http://www.oralhistory.org.uk/ethics.php>, (Accessed June 1, 2015).

capital and labour managed by the state. After that follows an analysis of the shift from Keynesianism to Monetarism and the deregulation of the global market and how such a shift has impinged upon capital, labour and the state. Moreover, the chapter will develop an Open Marxist account of the role of neoliberal ideas in such shifts and how this relates to the role of state officials as circuit Managers. It will attempt to offer an account of the role of discourse in the (re)production of the social relations of production; its role in the production of class antagonism by the state in a capitalist society as a way of managing capital-labour relations within its jurisdiction. It will argue that what has become a conventional, and convenient argument, for many academics and non-academics – namely that the WEF projects its power over the states involved in its activities at the expense of their own citizens – is weakly established and lacks a thorough and systematic analysis of the means through which this power is channelled. I argue that an analysis of the WEF’s competitiveness discourse is important in order to properly examine its influence over state’s policymaking. Discourse is not a form of domination as argued by Neo-Gramscians, rather it is one site upon which class struggle is conducted and through which the state manages capital-labour relations.

Chapter Four will focus on the WEF as an active and influential global policy group representative of the TCC. It embodies one among other policy groups of the TCC as will be outlined in Chapter One. Specifically, the WEF signifies a case in which the TCC materialises in its most explicit way. The Forum’s transnational class composition, and its engagement with state officials, professionals, ideologues and the media make it an interesting case study. Moreover, it constitutes an adequate target for analysis given its role in the making of the current discourse of competitiveness prevailing in today’s global governance and national policymaking as a means for managing states’ national economies.

Chapter Five seeks to establish what international competitiveness is by looking at the work of prominent globalising professionals such as Garelli’s and Porter who are considered authorities

on the subject and, most importantly, have established the WEF's competitiveness discourse in the GCR, although they differ greatly in their accounts. Using Open Marxism, the chapter will engage critically with the debate on the discourse of international competitiveness in order to highlight its limitations and propose an alternative approach on how to assess the impact of the competitiveness discourse on the state. It will be argued that the latter task is conditional upon a thorough analysis of competitiveness reports published by global, and other, policy groups in order to offer a perspective that is not based solely on rankings and the political debates it generates. The overall argument underlying this chapter is that states adapt competitiveness standards to their own national environments because their relationships to global capital are not identical as they are defined by the conditions of social relations of production characteristic of their own economies.

Chapters Six and Seven intend to analyse the (re)configuration of the role of the state within the WEF's GCR competitiveness discourse throughout various historical stages. The timeframe of this endeavour will be 1979-2014. In order to do so I will, first, place the GCR within the historical context of its emergence and examine the imperatives leading to its publication. Second, I will shed light on the main components of the report and the developments it has undergone in terms of coverage and methodology. Third, I will narrow down the focus to mainly map out the way in which the state has been attributed certain responsibilities within such discourse. In doing so, identifying the role ascribed to the state within the competitiveness discourse produced by the WEF itself and, thus, differentiating between what the discourse entails specifically and what the academic debate has made of it thus far, will become possible. This chapter argues that the WEF's discourse clearly draws a framework for state action that is considered necessary for maintaining its international competitiveness. However, it will be demonstrated that its discourse has shifted from the orthodox framework, which is macroeconomic-oriented, to another that is based on embedding

competitiveness within the society through emphasising the need for microeconomic reforms as the source of the nation's prosperity. As a result, it will be shown how the welfare state becomes the target of the WEF's discourse. It is portrayed as an obstacle to the international competitiveness of the country through its distortive impact on the macro and microeconomic foundations of competitiveness. Hence, transforming the welfare state constitutes a second phase of strengthening the basis of international competitiveness.

Chapter Eight will analyse the embeddedness of the competitiveness discourse in the UK with specific attention paid to the influence of the WEF's discourse on state policy-making process and policy debates. It will argue that while it is true that state policy-makers have internalised the discourse and become "place sellers", as argued in the literature, the engagement of the British state with the competitiveness discourse has been conditioned by specific needs of the economy originating from its national class relations and from the need of the state to manage these relations in such a way as to sustain the reproduction of capital within its jurisdictions. I will show that the UK's competitiveness discourse has effectively been constructed as a response to the national conditions of capital-labour relations that reached their crisis limits towards the mid-1970s. The economic recession of the 1970s led to a decline in productivity to the extent that capital could not reproduce itself effectively due to the increasing power of labour obtained due to rising growth and employment rates in post-war Britain.

In Chapter Nine, I offer my conclusions. I argue that regarding the state restructuring process and national social and economic policymaking, the evidence yields little support to the argument that the power of the TCC has become visible in relation to the state. Although the power of global policy groups as sites of the TCC have increased within the global economy overall, their influence is conditioned upon the national conditions of class relations and the form of state management of the economy and capital accumulation directed at reproducing labour, capital and the antagonism between the two. Every state engages with the

competitiveness discourse made at the global level selectively because its relationship to global capital is not identical to that of other states. The state's involvement with WEF activities is a response to the imperative of managing class relations at a global level given that through them capital and labour are reproduced nationally. Competitiveness has become a strategy for the government in most states and each has adopted to a specific national environment and has specific characteristics. This fact warrants perhaps speaking of discourses of competitiveness rather than one discourse, be they global or national.

Chapter Two

The Transnational Capitalist Class, Open Marxism and the State

A number of International Political Economy (IPE) scholars have recently drawn attention to a powerful capitalist class (TCC) emerging at the transnational level. Although Sklair, Robinson and Carroll have offered valuable, and varying, studies that account for this development, it is only fair to say that the literature on the TCC is still at an immature stage¹². This is striking considering that, according to the understanding of the authors of this debate, the rise of this class dates back to the 1950s with the creation of the Bilderberg Group. This lack of engagement from IPE with such a significant phenomenon can be probably ascribed to the fact that the political power of the so-called global policy groups that are representative of the TCC is not yet fully-fledged and visible. It may also simply be that IPE was (and is) reluctant to critically engage with researching capitalism as a global system rather than as an international system that is centred on, and orchestrated by, inter-state relations¹³. Indeed, the still-primitive debate on the TCC opens up new doors for critically examining, not only its emergence and structure, but also its power and influence, and presents the state-market core of IPE with a new area of investigation and development.

The recent, rapid and global rise of neoliberalism poses the challenge of directing the research towards a new area of study that has been thus far mostly overlooked or, at best, under-

¹² Leslie Sklair, *The Transnational Capitalist Class* (Oxford: Blackwell LTD, 2001), William I. Robinson, *A Theory of Global Capitalism: Production, Class, and State in a Transnational World* (Baltimore and London: The John Hopkins University Press, 2004), William K. Carroll, *The Making of A Transnational Capitalist Class: Corporate Power in the 21ST Century* (London: Zed Books, 2010). This is not an extensive list of contributions to the TCC literature but it represents the most comprehensive ones to date.

¹³ See Stuart Shields, Ian Bruff, Huw Macartney, "Introduction: 'Critical' and 'International Political Economy'", in Stuart Shields, Ian Bruff, Huw Macartney (eds.), *Critical International Political Economy* (Basingstoke: Palgrave Macmillan, 2011).

researched¹⁴. By bringing new actors, such as global policy groups, into systematic analysis that takes into consideration their centrality to the politics of 21st century global governance, IPE would gain invaluable insights into new spaces of analysis with the advantage of building up a new approach that can explain the power of the TCC more adequately. The current approaches to the existence, structure and power of the TCC, both within and outside of IPE, are still incomplete in that the vast majority of the analysis has managed to proceed without studying the most salient manifestation of *the* transnational capitalist class, global policy groups such as the WEF, Bilderberg, WBCSD, International Chamber of Commerce, etc. The secretive nature of these groups, especially the first two, have surprisingly attracted mainly media attention and given academics in IPE and other fields little motivation to put them under more thorough examination. This fact is evident also, after a thorough review of the literature which is provided below, in the lack of a proper theorisation of how different elements of the transnational society came together to form a transnational class that occupies the apex of the power structure in the global economy. The literature has so far avoided bringing a theory of the state into a structure in which it forms a significant element and from which a substantial part of the power of the TCC originates.

To fill in the gap in IPE and in the TCC literature, this thesis examines the power of the TCC through focusing on the role and influence of global policy groups in the making of national policies. It seeks to explain why the state has become involved in the activities of such groups and to map out the nature of the relationship established between the two. In doing so, it seeks to account for the role of the state in the global economy and to bridge the divide entrenched in IPE between analysis of transnational and national levels of policy making. The core

¹⁴ The definition of neoliberalism adopted here is that by Harvey who defines it as “a theory of political economic practices that proposes that human well-being can best be advanced by liberating individual entrepreneurial freedoms and skills within an institutional framework characterized by strong private property rights, free markets, and free trade. The role of the state is to create and preserve an institutional framework appropriate to such practices”. David Harvey, *A Brief History of Neoliberalism* (Oxford: Oxford University Press, 2005), p. 2.

research questions of this thesis include: How can we explain why so many states have adapted their national policies and strategies to common global standards of competitiveness? And, what significance does this development have for the existing research on neoliberal global governance and process of restructuring the nation-state?

The first section of this chapter attempts to deepen understandings of the foundation of the TCC literature by considering other academic works that flagged up the development of a class configuration outside of the state, although from a different perspective and with a more bounded focus. It will do so through reviewing the neo-Gramscian literature on the Atlantic Ruling Class developed primarily by Kees Van der Pijl and Stephen Gill and will argue that it constitutes a legitimate ground upon which to establish a TCC literature. After that, the core TCC literature will be surveyed so that the underpinning theoretical and empirical foundations of the TCC can be fully analysed. It will be shown how the literature has hitherto portrayed the TCC, its formation, structure and role in the contemporary world economy. This would help us to grasp a sense of where power lies within such a transnational actor, as well as which members assume what role and what constitutes its agency for power projection. In the third section, the theoretical gap in the literature will be addressed through providing a theory of that state that will help to better our understanding of the position of the state within this transnational formation. It will draw upon an open Marxist theory of the state most suitable to present an analysis that is not deterministic, structuralist, or instrumentalist as is the case in the much of the wider TCC literature.

2.1. The Atlantic Ruling Class

Theorising the formation of the TCC as the latest form of the development of the global capitalist system, or as William Robinson describes it the “maturation of global capitalism”¹⁵, can be traced back to several attempts devoted to exploring the emergence of the capitalist class and the capitalist relations of production in social, political, and economic spaces that transcend the state’s territory. More specifically, the literature focused on here is concerned with the social, economic and political space of the advanced capitalist states north of the Atlantic. This space should be seen as the locus from which capitalism in its current structure as a global system has emerged and from which the TCC has arisen, and towards which it continues to gravitate.

Van der Pijl’s *the Making of An Atlantic Ruling Class*, and Stephen Gill’s *Atlantic Relations: Beyond the Reagan Era* and his *American Hegemony and the Trilateral Commission* embody a comprehensive accounts of theorising capitalism and the formation of the capitalist class beyond state’s borders. Both authors analyse the emergence of the capitalist class on a transnational level with an emphasis placed on its centralization in the North Atlantic region. For our research, this represents a legitimate and an adequate point of departure from which to move forward and build a coherent account of the emergence, structure and power of the TCC. Although these accounts base the analysis of the emergence of a capitalist class within a state-centred framework and explain its formation as an imperative to manage inter-state relations in a Cold War context marked by American hegemony, they nonetheless offer a useful background against which to understand any possible distinctiveness from later attempts.

¹⁵ William I. Robinson, *A Theory of Global Capitalism*, p. 41.

Moreover, it shows the extent to which IPE has advanced the analysis of the TCC and the theoretical tools used and the gaps left unaddressed.

From a neo-Gramscian perspective, Van der Pijl's argument stresses the importance of taking into consideration the post-war hegemonic position of the United States in the world economy in forging a sort of capital alliance between European and American Business. For him, the "history of Atlanticism, as both ideology and an actual process of class formation" must be understood in light of the development of American capitalism¹⁶. That is, in the post-war period there developed three US strategic policies aimed at bringing this 'Atlantic Unity' into life. The first was "Atlantic Universalism" designed at the end of WWII in order to facilitate the expansion of the circuits of US capital to Europe. The second was "Atlantic Union" manifest in the Marshall Plan which is complementary to the first strategy. The final strategy was the "Atlantic Partnership" initiative that sought to restore the unity of the "Atlantic world" after a period of conflict between American and European MNCs in Europe in the 1960s due to Nixon's domestic economic orientation.

Thus, these three grand strategies of the US gave grounds to the process of economic and financial integration across the Atlantic and allowed a further internationalisation of capital. By doing so, he believes the grounds were furnished for the bourgeoisie on both sides to "regroup and develop a series of *comprehensive concepts of control*" (outlined below) which allowed the enforcement of its legitimised hegemonic position nationally and internationally and set the foundation of the Atlantic ruling class¹⁷. These concepts of control, Van der Pijl explains, serve as projects of conducting public affairs and social control in a way that is seen

¹⁶ Kees Van der Pijl, *The Making of an Atlantic Ruling Class* (London: Verso, 1984), p. xvii.

¹⁷ *Ibid.* p. xiii, p. 7. In his view, the configuration of the Atlantic ruling class and the interests it represents have varied through each level of the internationalization of capital. Its formation passed through three main stages of capital internationalization. The first stage had taken place with the American railway rapid prosperity; the second was that of inter-war period and extended to the late 1940s as national productive capital had dominated, and the final stage has occurred as a result of the spread of the American transnational firms. *Ibid.*, p. Xiv.

to be legitimate in the eyes of the dominant class as well as the society. However, these concepts are never fixed but constantly reconfigured to accommodate varying interests within the class, he maintains¹⁸.

For Van der Pijl, the structure of the Atlantic ruling class has varied according to the prevalent concept of control. Characteristic of the Atlantic Ruling Class formation and hegemony are two primary concepts of control. The first he calls the “liberal-internationalist” and its hegemony commenced with the development of an “Atlantic circuit” of financial capital led by the money-capital bourgeoisie in early 20th century. It resurfaced again from the 1980s onwards after a relative decline in the face of another concept of control which he calls the “state-monopoly” concept.

The “state-monopoly” concept of control reflects the position of productive capital that dominated the bourgeoisie in the inter-war years and again after the war until the mid-1970s¹⁹. In other words, it is an embodiment of the corporate liberalism forming the basis of Keynesian economics that is construed to synthesise free market tendencies, representative of the liberal internationalists, and state interference which materialised as a manifestation of labour power and the larger needs of industry in the post-war period²⁰. It was associated with the intensification of finance capital in the 1960s, representing organised labour and productive capital. It eventually collapsed when the economic power of money-capital, and some fractions of productive capital such as oil capital, increased in the late-1960s and early-1970s against the background of economic recession and crisis. Thereby, the old liberal-internationalist concept

¹⁸ *Ibid.* pp. 2-3.

¹⁹ It is worth noting here that the productive-capital concept of control sought to protect the national and the regional industry. With state monopoly it was perceived to be in the general interest of all classes of society.

²⁰ This corporate-liberal synthesis that was built on flexible labour relations that was imported to Europe from the US and played a key role in developing later concepts of control. *Ibid.* p. 10.

of control underpinning the hegemony of the Atlantic Ruling Class was brought back in response to the new economic realities of the 1970s²¹.

Generally speaking, Van der Pijl sees the process of the ruling class formation and the consolidation of its power as entailing “a formula of reconciliation or compromise” between, on the one hand, the interests of competing capitalists, and on the other hand between the latter and the interests of wider society. This was seen as a prerequisite in order to reinforce desirable social conditions of production. For him, a concept of control “is potentially hegemonic if it combines a mutually compatible blueprint for both the conduct of labour relations and for the handling of relations between the various fractions of capital”²². This should be seen as deriving from the intense competition underpinning the accumulation of capital in a globalising economy marked with technological innovation and, hence, the challenges facing the capitalist system and its classes. Hegemonic agency is solidified through “pre-existing and simultaneously reproduced cultural and political patterns”, he notes²³.

The arrival of Thatcher and Reagan into power in 1979 and 1981, respectively, put an end to the corporate liberalism that had led to economic instability throughout the 1970s and early 1980s when economic growth stumbled and unemployment rocketed in the Atlantic sphere. To Van Der Pijl, this represented a crisis in the hegemony of the ‘compromise’ in place and questioned the adequacy of the Keynesian model of policymaking, both for capital and for the society. According to Gill, this development was precipitated by the changing US perception of its position in the world economy that in turn altered the positions of both Europe and growing Japan. The economic, especially monetary, stability which has come under pressure since the mid-1970s and intensified in the 1980s, the new international division of labour, the

²¹ *Ibid.* p. 272.

²² *Ibid.* p. 31.

²³ *Ibid.* pp. 7-8.

globalization of production, exchange, and capital, which was augmented with the liberalisation process, signalled a change in the structure of the global economy²⁴. Yet, far from meaning a breakup in the circuit of capital accumulation established earlier, these developments signalled further extension to the Pacific region. Such a transformation has strengthened with the growth of the international economic integration pioneered with the rapid capital accumulation by transnational corporations, Gill argues.

In order to restore the cohesion of the Atlantic Ruling Class in the new context of capital circuits of accumulation, Van der Pijl argues that the creation of the Trilateral Commission (TC) in 1973 was inescapable if the interests of the capitalists at the three corners of triad are to be accommodated and secured²⁵. The TC has sought to consolidate the weak ties across the Atlantic and to reinforce a pattern of Trilateralism. For Gill, the catalyst that pushed for the creation of the TC was the ‘strong opposition’ from Europe and Japan to the US economic and political policies in the early 1970s that harmed the interests of its allies, making the world more dependent on the American market. At the elite level, a lack of congruence between the economic and political spheres existed where the latter became fragmented whereas the former became more integrated. Therefore, the TC came as a response to the needs of both sides; the need of Europe to shield itself in the face of expansionary policies of the USSR and the need for the US to support their TNCs in the global market²⁶.

Largely consistent with Van der Pijl, Gill’s analysis of the emergence of the Atlantic Ruling Class and its extension to the Pacific through the TC goes beyond a temporary reading of these

²⁴ Stephen Gill, *Atlantic Relations: Beyond the Reagan Era* (New York: Harvester Wheatsheaf, 1989), p. 8. The transnationalization of the world economy in the 1970s and 1980s, spurred by the rise and supremacy of the internationally-mobile money-capital has been a consequence of the neoliberalism doctrine domination in the aftermath of the crisis of Keynesianism in the 1970s.

²⁵ Van der Pijl, *The Making of an Atlantic Ruling Class*, p. 274

²⁶ The consensus on this strategy between the Americans and Europeans was mainly rested on two important interests: protecting the Western European countries against potential threat from the USSR as well as from each other and restoring economic growth and monetary stability through American aid and maintenance of the a system based on US dollar. *Ibid.* p. 18.

developments. He argues that it was set up as a strategic forum to manufacture a “common vision of how the politico-economic world works” and how its problems can be solved²⁷. Furthermore, he conceives the establishment of the TC as an attempt to stabilise the political, economic and military structures in the three regions in order to provide the necessary framework for continuous internationalisation of capital and expansion of capitalism. Only the elite of each region can identify their common interests and only then can “complex interdependence’ be managed – whether coordination in monetary policies, general macroeconomic policies or in strengthening the role of international organizations like the World Bank, OECD, IMF, and the WTO in achieving economic growth and trade liberalisation²⁸. An institutional structure such as the TC would help in preventing the “communication breakdowns” responsible for the 1970s’ crisis. As stated by Gill, the mandate of the TC would make such an aim possible since it facilitates reaching common approaches to national problems, be it political, economic or military²⁹.

Gill emphasises, as does Van der Pijl, the importance of the historical context within which the relations of Trilateralism were strengthened at the expense of Atlanticism. To him, it was the declining hegemony of the US that gave birth to such transformation in addition to the increased integration of the US into the global economy³⁰. In the 1980s, the American Atlantic orientation of post-WWII had started to shift towards the Pacific which reflects the shift in economic power towards the Asian region³¹. The US perceived such economic and political re-steering to be integral to the maintenance of its hegemony at the expense of Europe.

²⁷ Stephen Gill, *American Hegemony and the Trilateral Commission* (Cambridge: Cambridge University Press, 1990), p. 124.

²⁸ *Ibid.* p. 174 and p. 176.

²⁹ *Ibid.* p. 143, and p. 202.

³⁰ *Ibid.* p. 2, p. 12, and p. 14.

³¹ Gill perceives the policies of the Reagan administration as a return ‘to a series of traditional axioms about the international system, in a broad offensive to reassert American ideological, political, economic, and military dominance. In this offensive, the interests of the west European allies were seen as very much as secondary to American prerogatives’. Stephen Gill, *Atlantic Relations*, p. 26.

Nevertheless, that should not blind us, he asserts, from realising the importance of the transnationalisation of capital and its flexible mobility taking place against the background of reduced trade barriers as a result of liberalisation policies engineered by WB, IMF, and GATT³². He points out that developing the formation of the capitalist class along the lines of Trilateralism was an endeavour by the major capitalist states to form “an organic alliance” to serve their dominant interests that involve “a commitment to a more-or-less liberal international economic order”³³. The period from 1945 to 1971 that saw the development of the “transatlantic ruling class” was announced to be over when the US dropped its commitment to the gold standard and with this corporate liberalism was proclaimed dead. This gave way to a new compromise according to which capital flies in a context of which the Atlantic is only a subset³⁴. Van der Pijl contends that such a context forced the state back to be a night-watchman state that intervenes only when the market fails³⁵.

While within corporate liberalism the interests of the working class were relatively taken into consideration alongside those of the capitalist class as part of the “organic alliance”. The neoliberal doctrine of the new concept of control, money-capital, “was committed to the destruction of the working-class power” in order to overcome the contradiction of the previous

³² Stephen Gill, *American Hegemony*, p. 216.

³³ Many members of the Trilateral Commission have served in a high government positions in finance and economics, foreign policy, as well as in international institutions, *Ibid.* p. 2 and p. 4.

³⁴ While from 1945 to mid-1970s, transnationalization of capital took the form of capital flows from the US to Europe, it has increasingly flown from Europe and Japan to the US since then. Kees Van der Pijl, ‘Restructuring the Atlantic Ruling Class’, in Stephen Gill, eds., *Atlantic relations*, p. 6. For Gill, the increasing spread of the monetarist-liberal free-market ideas, which reflects the view and interests of the international mobile capital, mainly international banks, on a global scale tend to create the latter’s transnational hegemony and domination over the interests of productive capital and nationalist and mercantilist ‘modes of thought’. Stephen Gill, *American Hegemony*, pp. 50-1.

³⁵ Neoliberalism was founded on two principal factors: first, monetarism which became ‘part of a wider and more global process of class formation and elite realignment, second, the minimal role of the state. Kees Van der Pijl, ‘Restructuring the Atlantic Ruling Class’, p. 63 and p. 66.

system stemming from compromising with powerful unions in an era of high employment levels³⁶.

Therefore, with the money-capital concept of control in hegemony, the process of capital accumulation has extended its reach and a new transnational class has started to surface in the late 1980s. As Gill puts it, a ‘transnational’ fraction of capital, as opposed to national capitalist interests, was “developing its hegemony” then and was destined to expand beyond the Triad region due to the globalisation of production and technology. He contends that what cements the hegemony of this fraction goes beyond its complementary material interests and institutions to include a “highly developed consciousness”³⁷. Once capitalism transnationalised in finance, production and exchange, which was made possible since the 1980s, Gill believes capital penetrates everywhere and creates “webs of international materialist interests”³⁸. It is then specifically, Robinson argues, that the “Transnationalization of classes and the rise of a TCC” take place³⁹.

This transnational class has interests that are tied to the world economy rather than individual national economies. Big corporations and banks, such as those listed on the Fortune 500, develop their own “transnational networks, partly through business transactions” and partly through their interactions through forums such as the TC and the WEF⁴⁰. The shared interests that bind them together, and the hegemonic concepts of control they employ, have pushed them to “the centre of an emerging *transnational historic bloc*, one with a wider leadership than in the era of transatlantic hegemony”. That is, the new bloc includes owners and CEOs of

³⁶ *Ibid.* p. 66.

³⁷ Stephen Gill, *American Hegemony*, pp. 89-90.

³⁸ *Ibid.* p. 30 and pp. 36-7.

³⁹ William I. Robinson, *A Theory of Global Capitalism*, pp. 33-4.

⁴⁰ Stephen Gill, *American Hegemony*, pp. 89-90.

multinational corporations (MNCs), international bankers, prominent government politicians and bureaucrats from advanced and some developing countries⁴¹.

The new hegemony embodied in the transnational historic bloc, replacing the American one, cannot be sustained without global policy groups, Gill argues. Reconciling any potential conflict between “national and international capital, and associated elements of labour” warrants such a move. For example, the TC can be seen as mechanism of politically controlling market forces and “undertrained anti-Sovietism” in western countries so that they don’t destabilise the emerging transnational hegemony. What’s important here, says Gill, is the acknowledged role of these institutions in facilitating the growth of TNCs and, most importantly, its TCC core and developing its shared identity and consciousness, and the impact this has on its identification of common interests⁴².

As pointed out by Gill, these developments were concomitant with changes in the structure of state management. The transnationalisation process in the 1970s and 1980s has given more importance to finance and economic departments relative to other divisions “as the competition for foreign capital intensified amid recessionary conditions”. While freeing and empowering market forces, neoliberalism, he contends, did not signal the complete retreat of the state as much as it gave rise to certain parts of the state at the expense of others. The power of this transnational capital fraction is derived from its “cumulative capacity” through the operation of market forces to constrain national governments and labour organizations⁴³.

In this sense, TC can be seen as a medium for its members to form a “strategic consciousness” on patterns of thinking that match the shift in the understanding of the functions of the state, or what Gill calls “the transnationalization of the state”⁴⁴. The transnationalisation process

⁴¹ *Ibid.* pp. 50 and p. 94.

⁴² *Ibid.* pp. 51 and p. 54.

⁴³ *Ibid.* pp. 94-5, p. 97 and p. 112.

⁴⁴ *Ibid.* p. 113 and p. 1.

allowed capital to “shake off the constraints that nation-state capitalism had placed on accumulation; to break free of the class compromises and concessions that had been imposed by working and popular classes and by national governments”. Robinson agrees with Gill’s portrait of the change and claims that the new compromise was built on a different basis, one that is centred on the “deunionization” of labour and the deregulation and flexibilisation of work conditions⁴⁵.

The attempts made by Van der Pijl and Gill to theorise the formation of the Atlantic and Trilateral Ruling Class, although it does offer a great sense of the historical context within which the roots of a TCC matured, it is embedded in more an international relations approach to the emergence of the TCC. It is heavily focused on the nature of inter-state relations as the decisive factor in the making of the Atlantic Ruling Class than on the structure of the capitalist system and the role of the state in class-based capitalist society. Both Gill’s “Transnational Hegemony”⁴⁶ and Van der Pijl’s hegemonic concept of control account for the active agency of global capital which captures the state whose interests become then identical to those of fractions of capital and opposite to those of labour. It is an account that is built on somewhat unquestioned hegemony of the footloose global financial capital that triggers a restructuring of the state from outside. Even when they analyse the formation of the TCC, they view the concept of control on which this class is constituted as a result of the rivalry between production and money capital more than capital-labour relations. However, their work remains helpful in order to establish the historical context and the theoretical basis from which to depart in developing more sound grounds from which to trace the emergence of the TCC and from which to

⁴⁵ William I. Robinson, ‘Global Capitalism Theory and the Emergence of transnational Elites’, *Working Paper: United Nations University*, (2010/02), p. 4.

⁴⁶ Stephen Gill, *American Hegemony*, p. 209.

crystallise an adequate framework of analysing the power of such a class. In the next section, a full review of the TCC literature will be elaborated.

2.2. The Transnational Capitalist Class

Although the literature on the TCC is still relatively undeveloped in terms of its scope and depth, increasing studies have been developed in the last two decades, which have contributed to enhancing its theoretical and empirical foundations. This section will shed light on the contributions made by scholars who, specifically, speak of the emerging ‘transnational’ capitalist class. It seeks to provide an overview of their work and to examine the extent to which it represents a more sophisticated account of the formation, structure, and power of the TCC.

In his book *The Transnational Capitalist Class*, Sklair sets out the foundation for a comprehensive analysis of the influence of the TCC. Similar to Van der Pijl’s ‘Atlantic Ruling Class’ and Gill’s ‘transnational historic bloc’, he argues that a TCC “is in the making” as capitalism has taken a global shape. However, what Sklair adds to the argument goes beyond van der Pijl’s and Gill’s state-centric account. Rather than being driven by state intervention on behalf of corporate interests, Sklair’s TCC is an agency in and for itself at the heart of which lies powerful MNCs and policy groups, such as the WEF and Bilderberg, which are expressions of its existence⁴⁷. More specifically, Gill’s historic bloc, for example, derives its influence

⁴⁷ Leslie Sklair, *The Transnational Capitalist Class*, p. 2. As commonly believed by other authors in this chapter, Robinson and Harris consider the “internationalization of capital and the global integration of national productive structures” as the main reason of the emergence of the TCC. See also Robinson, William I. and Harris, Jerry, “Towards A Global Ruling Class? Globalization and the Transnational Capitalist Class”, *Science & Society*, 64:1 (2000), p. 1.

directly from an active, somehow external, political agency that functions under hegemonic global capital. On the other hand, Sklair's class incorporates the state as a main component that functions simultaneously and equally efficiently with other components. It is the totality of the TCC agency in Sklair's explanation that makes his account different. It is this totality that "pursues people and resources all over the world" for profit maximization and, therefore, it is considered the primary force stirring capitalism and maintains the hegemony of global capital⁴⁸.

As stated by Sklair, the structure of the TCC is composed of four main components: the major TNCs; globalizing bureaucrats and politicians or what Jorge Dominguez terms "Technopols", for Van Apeldoorn they are "politicians and civil servants occupying key positions in transnationalizing state structures"⁴⁹; globalizing professionals; and the elite consumerists, merchants and the media⁵⁰. These four fractions symbolise the material and intellectual foundation of the TCC. While three of them seem to have identical interests to an extent that would permit their integration into one class, how politicians belong to it too is left unfounded.

In Sklair's view, such a configuration of the TCC reflects "the different types of capital that must be mobilized to further the direct interests of the global capitalist system"⁵¹. This is the

⁴⁸ The TCC can be considered as a consequence of the transnational orbit through which the accumulation of capital, and the realization of profit, passes. The global system theory introduced by Sklair is based on the concept of "transnational practices", practices in the economic, political and cultural domains that are performed beyond and across the political boundaries of the state and are not led or invented by the state or international institutions. Leslie Sklair, *The Transnational Capitalist Class*, p. 4.

⁴⁹ Van Apeldoorn, Bastiaan, "Transnational Class Agency and European Governance: The Case of the European Round Table of Industrialists", *New Political Economy*, 5: 2 (2000), p. 159.

⁵⁰ Leslie Sklair, "Democracy and the Transnational Capitalist Class", *The Annals of the American Academy of Political and Social Science*, 581: 1 (2002), p. 144. The fact that Sklair admits a remaining role of the state has to do with his take on globalisation as transnationalization where the state is an actor among others that has a role to play in global governance, see Leslie Sklair, "The Transnational Capitalist Class and the Discourse of Globalisation", in J. Timmons Roberts, Amy Bellone Hite, Nitsan Chorev (eds.), *The Globalization and Development Reader: Perspectives on Development and Global Change* (Oxford: Blackwell, 2015), p. 305.

⁵¹ Leslie Sklair, 'Globalizing Class Theory', in Sinclair (ed.), *Global Governance: Critical Concepts in Political Science Volume 4* (New York: Routledge, 2004), p. 144 (pp. 137-161); Leslie Sklair, "Social movements for global

argument that he uses in order to justify the inclusion of globalising politicians into the TCC. Sklair defines the emerging transnational capitalist class as “those who own and control the major means of production, distribution, and exchange through their ownership and control of money and other forms of capital”. In his TCC, everyone is aware of the ‘*transnationality*’ of the system and its requirements, politicians in the same way as CEOs of TNCs, the media and ideologues. In his words,

Some Marxist scholars may object that only those who actually own the means of production can properly be called capitalists and be members of the capitalist class, local or transnational. However, the globalization of capitalism can only be adequately understood when ownership and control of money capital is augmented with ownership and control of other types of capital, notably political, organizational, cultural, and knowledge capital⁵².

This is quite a problematic point to make from a Marxist perspective. It only portrays a narrow picture of reality and overlooks the dynamics of the drive for change in contemporary global economy. In his view, the task of globalising politicians who hold the political form of capital is only complementary to other tasks performed by the remaining members of the TCC. That is, they create “the political conditions for diverting state support of various types (financial, fiscal, resources, infrastructure, ideological)” toward TNCs operating within their state’s territories. Hence, it is through the regulation of the national economies in the interests of the TNCs that the state fraction plays its role within the TCC⁵³. For example, adopting and implementing competitiveness standards, benchmarking, and global best practice systems is a

capitalism: the transnational capitalist class in action”, *Review of International Political Economy*, Published online: 4:3 (1997), pp. 314-5.

⁵² Leslie Sklair, “Democracy and the Transnational Capitalist Class”, p. 17

⁵³ Leslie Sklair, *The Transnational Capitalist Class*, pp. 7, 114, 298-9. See also Leslie Sklair account on the relationship between the state’s adoption of competitiveness and democracy in Leslie Sklair, “The Transnational Capitalist Class and Global Politics: Deconstructing the Corporate–State Connection”, *International Political Science Review*, 23: 2 (2002), pp. 171-2.

reflection of how states would serve the interests of the TCC in preserving global capitalism. This task, nevertheless, is only complementary to that of globalising professionals who design these practices and standards in the first place. Moreover, for him, these are only seen as world ‘best practice’ because politicians and professionals alike adopt them as “a technique of social, political, and ideological control in the global capitalist system”. Beside this technical role of designing these systems, globalising professionals perform an ideological role when they sell these systems of benchmarking to businesses as well as governments as “the best way to measure competitiveness at all levels” and, most importantly, “to sell competitiveness as the key for” for their success⁵⁴.

The argument emphasised in Sklair’s work and by other TCC Scholars is that although TNCs own and control immense economic resources which put them in a position to further their interest they “require help from other groups” if they are to “carry out their work effectively”. It is through these concerted and collaborative processes that the TCC materialises its being in a structural sense⁵⁵.

Sklair rightly argues that the role of globalising professionals is of great importance to the hegemony of the TCC and the sustainability of the capitalist system. He notes that the TCC’s hegemony rests on its “ideological persuasion at the global level”. That is, the TCC “consumerist visions” are “daily transmitted” to the society⁵⁶. As will be elaborated in Chapters, Five, Six and Seven of this thesis, this can be seen clearly in the competitiveness standards of the WEF. The culture-ideology of consumerism performs a significant task to the

⁵⁴ Leslie Sklair, *The Transnational Capitalist Class*, p. 141. In this manner, Marx’s and Engels’s idea of how the possession of the “material force of society” turns the ideas of the ruling class into “ruling ideas” and turns the capitalist class into a “ruling intellectual force” when the class itself becomes global and includes more than their traditional elements (the capitalist), Marx, Karl and Engels Frederick, *The German Ideology* (London: Lawrence & Wishart, 1965), p. 60. For an interesting article on the role of the four components of the TCC in the architecture of ‘world cities’, see Leslie Sklair “The Transnational Capitalist Class and Contemporary Architecture in Globalising Cities”, *International Journal of Urban and Regional Research*, 29: 3 (2005), pp. 485-500.

⁵⁵ Leslie Sklair, *The Transnational Capitalist Class*, p. 288

⁵⁶ *Ibid.*

extent that the existence and functioning of the TCC is conditioned upon its role. The sustainability of capitalism as a global system thus becomes conditioned upon convincing everyone that competitiveness would lead “to happy lives for all”. The hold this ideology has over society is the reason why the TCC successfully exerts control over the global economy⁵⁷. Indeed, this side of his argument makes perfect sense when one considers the term competitiveness and its pervasiveness into everyday life today, in society, in politics, and in economics and business.

Although not entirely distinct from Sklair’s account, in his *Theory of Global Capitalism* Robinson adds another layer to the analysis of the TCC. He defines the TCC as a group of “elites” composed of “dominant political, socioeconomic and cultural strata”, they are capitalists but also state managers, and leaders of the major social institutions in society such as technicians and intellectuals who are “in the service of the TCC” – such as the Chicago school economists. What can be seen as a break away from Sklair’s account is the logic that holds together the members of the TCC for Robinson. While Sklair groups together the four fractions without distinction of their position in relation to the means of production, Robinson’s TCC is a class of capitalists and non-capitalists. However, this is not to say that Robinson’s theory is less problematic. Robinson’s capitalists are those “elites who own or manage means of production as capital” while his non-capitalists are those who “occupy key decision-making positions in institutions, whether in private corporations, the state, political parties or cultural industries”⁵⁸.

⁵⁷ Despite the fact that the long-term coincidence of interests and unity of the fractions of the TCC does not preclude shorter-term and local conflicts within each fraction and between one fraction and another, the inner circle of the TCC, based on the culture-ideology of consumerism, preserves the cohesion and unity of the system. Leslie Sklair, *The Transnational Capitalist Class*, p. 255.

⁵⁸ William I. Robinson, ‘Global Capitalism Theory and the Emergence of transnational Elites’, *Working Paper: United Nations University*, 2010/02, p. 3. What made Robinson make such a distinction in his analysis is the fact that he drew on Marx’s concepts of class-in-itself and class-for-itself. These are explained by Robinson as follows: A class-in-itself ‘is a group whose members objectively share a common position in the economic structure of society independent of the degree to which they are aware of their collective condition or to which they consciously act on the basis of this condition’. A class-for-itself ‘is a class group whose members are conscious

More fundamentally, however, Robinson notes that it is the inner circle of the TCC that is at the centre of global capitalism. This inner circle of a “class-conscious elite” is perceived to be represented in groups such as the WEF and the ICC⁵⁹. Given that his account of membership extends to all the loyalists of the TCC and the supporters of its agenda, global capitalism, then it is only logical to see the WTO, IMF, World Bank as also part of his inner circle since membership isn’t conditional upon the ownership of the means of production. It should be noted that Robinson’s capitalists are also only fractions of the capitalist class, his TCC attracts only “the leading elements among national capitals” and fuses them into a transnational class⁶⁰.

The primary assumption made in the TCC literature thus far is that class formation has become today “less bound to territory and to the political justification of nation-states”⁶¹. Sklair confirms this point and explains that the transnationality of this class is evident in many respects. It is transnational because: its members identify their interests as being global given the transnational reach of the activities and ownership of the TNCs; the influence this class exerts, be it economic, political and/or ideological knows no boundaries, it is manifest at the national and international levels, in politics as well as the workplace and the every-day life of the society⁶²; the orientation of its members is not territorially specific but global in all fields⁶³;

of constituting a particular group with shared interests and would be expected to act collectively in pursuit of those interests’ William I. Robinson, *A Theory of Global Capitalism*, William I. Robinson *A Theory of Global Capitalism*, p. 38.

⁵⁹ *Ibid.* p. 48 and p. 85.

⁶⁰ p. 47.

⁶¹ *Ibid.* p. 34.

⁶² In the workplace this is manifest in the demand for workers’ flexibility in terms of working hours, wage cuts and mobility. Sklair argues “while this not new ... its global scope is unprecedented’. Leslie Sklair, *The Transnational Capitalist Class*, p. 19.

⁶³ For Sklair, the increasing weight and number of TNCs, the prominence of free market at the international institutional level, and the privilege export has taken in the circles of economic policies of most of the developing countries since the 1980s have been driven by ‘members of the TCC working through government agencies, business professionals, elite opinion organizations, and the media’. *Ibid.* p. 20.

similar lifestyles, education, and consumption patterns are shared among its members; the TCC members tend to view, and show, themselves as world citizens⁶⁴.

Moreover, Carroll's approach to the study of the TCC offers an alternative view of its formation and trans-nationality. In his empirically-rich study, he investigates the "social organization" of the TCC through social network analysis that focuses on a "global network of directorship interlocks"⁶⁵. In particular, he looks at the interlocks between the directorships of TNCs, the interlocks between the directorships of the global policy groups and the interlocks between the latter and former. The argument he poses is that at the end of the twentieth century, there have been an increasing number of transnational corporate interlocks, which although still coexisting with national ties, have resulted in forming a broad network and created "trust" among transnational businesses⁶⁶.

The directorship interlocks between TNCs gradually bring corporate leaders closer into a "transnational community"⁶⁷. The main attributes of such a community are: it is composed of the elite, it is "cohesive" and it is relatively detached from nationality and has shared identity interests and common perspectives on how to secure them. This corporate strategic project serves to entrench TNCs in a transnational body, consolidate the cohesion of the community and preserve and express unity of interests among the capitalists centred on securing preferable

⁶⁴ *Ibid.* p. 21. As explained by Robinson, the main difference between the TCC and the national fractions of capital is that the former runs global production and distribution system that makes their concern more global than domestic, William I. Robinson, *A Theory of Global Capitalism*, p. 47. This type of cosmopolitanism evident in the behaviour of a transnational capitalist was touched upon by Marx. He says "Just as money develops into world-money, so the commodity owner develops into a cosmopolitan. The cosmopolitan relation of men is originally only a relation of commodity owners. The commodity as such rises above all religious, political, national and language barrier", Marx, Karl, *A Contribution to the Critique of the political economy*, Translated by N.I. Stone, (Chicago; the international library publishing co, 1904), p. 207.

⁶⁵ The term transnational capitalist class becomes more viable if 'there are structural conditions that reproduce a transnational corporate community' with a 'transnational identity' shaping their practices rather than a national one. William K. Carroll, *The Making of A Transnational Capitalist Class*, p. 19.

⁶⁶ *Ibid.* p. 20, p. 22, and pp. 33-4, see also Domhoff, G. William, *Who Rules America Now?* (New York: Prentice-Hall, 1983).

⁶⁷ Nollert, Michael, "Transnational Corporate Ties: A Synopsis of Theories and Empirical Findings", *Journal of World-Systems Research*, 2 (2005), p. 293.

conditions of capital accumulation⁶⁸. It is this project, Kentor and Jang argue, that makes them act as “unified actors in the global economy”⁶⁹.

What’s more, corporate interlocks, enable capital to exercise economic, political and cultural power given the significance of the tasks they fulfil. They, first, carry out an “*instrumental*” function that involves capital’s exercise of economic power through coordination, control and allocation of resources in the race for capital accumulation. Second, they accomplish an “*expressive*” function that encompasses building “cultural relations [...] solidarity among corporate directors, and underwriting a certain class hegemony – a cultural-political power”. Consequently, interlocking boards are “key nodes” in webs of economic as well as cultural-political power, as the community expands to interlocking carried out by lawyers, consultants, university presidents, which has become a common practice in corporate governance. Therefore, increasingly the social integration of the community becomes stronger which allows it to “reach into civil and political society”⁷⁰. It must be noted, however, that Carroll realised the limited geographical scope of corporate interlock. He emphasises the “Euro-north

⁶⁸ William K. Carroll, *The Making of A Transnational Capitalist Class*, p. 224. Nollert, Michael, “Transnational Corporate Ties”, p. 294. For a similar account see also William K. Carroll, and Meindert Fennema, ‘Is There A Transnational Business Community?’, *International Sociology*, 17 (2002), pp. 394-415.

⁶⁹ Jeffrey Kentor and Yong Suk Jang, ‘Yes, There Is a (Growing) Transnational Business Community: A Study of Global Interlocking Directorates 1983 -98’, *International Sociology*, 19: 355 (2004), pp. 355-66. Kentor and Jang see the practice and power of this TCC as materialised in its involvement in the process of transnationally organising the activities of production, marketing, financing, and capital accumulation. Jeffrey Kentor and Yong Suk Jang, Different Questions, Different Answers, *International Sociology*, 21 (2006), pp. 604-5

⁷⁰ Carroll ascribes the increase and diversity of corporate interlocks to changes in corporate governance enforced by neoliberal globalisation, William K. Carroll, *The Making of A Transnational Capitalist Class*, pp. 8, 23. For an account of the importance of the centrality of firms within this business community and the resultant more visible power they enjoy within the state, see Joshua Murray, “Evidence of a transnational capitalist class-for-itself: the determinants of PAC activity among foreign firms in the Global Fortune 500, 2000–2006”, *Global Networks*, 14: 2 (2014), pp. 230-250. Staples also presents a critical analysis of the work of Carroll, Carson, Fenemma and other scholars who focus only on the interlocking between corporations and argues that the analysis should also consider the increasing interlocking and connectedness within corporations themselves, Clifford L. Staples, “Board Interlocks and the Study of the Transnational Capitalist Class”, *Journal of World-Systems Research*, xii: 2. (December 2006), pp. 309-319.

American” character of this elite which reflects the global power of the “North Atlantic ruling class”⁷¹.

The stage where Carroll’s TCC become visible is when its social structure extends past corporate directorships. It becomes a class “in the making” once corporate networks overlap with policy groups’ foundations⁷². The importance of such overlap derives from the fact that it provides businesses with the opportunity to interact and discuss their common interests and to come up with “strategies for action” for reaching their objectives. For him, the corporate-policy interlocks are “relationships of class hegemony, of solidarity and coordination, more than domination”⁷³. The new interlocking represents the “leading edge” of the TCC which increases its capacity to act as “a class-for-itself”⁷⁴.

Hence, global policy groups, while they are comprised mainly of corporate interlocking and networking, they are the locus where elements of business and the state come, to use Gill’s account of the TC, to “know and influence each other” and build consciousness of the appropriate economic models of managing the global economy. And as Gill perceived the TC, these groups are also “part of a much wider international process of elite familiarisation and fraternisation, mutual education and, broadly speaking, networking”⁷⁵. When global policy groups promote dialogue between social, political, corporate, and professional elites, they facilitate “the formation of a moving elite consensus”. According to Carroll, these groups “educate publics and states on the virtues of the neoliberal paradigm” from the position of political, economic, and cultural leadership⁷⁶. Its consensus-building role makes it possible for

⁷¹ Nevertheless, he notes that the network of global corporations is, increasingly, becoming of a global reach. William K. Carroll, *The Making of A Transnational Capitalist Class: Corporate Power in the 21ST Century* (London: Zed Books, 2010), p. 224; see also

⁷² William K. Carroll, *The Making of A Transnational Capitalist Class*, p. 36.

⁷³ *Ibid.* pp. 36-7 and p. 130.

⁷⁴ *Ibid.* p. 201. Nollert argues that the transnational interlocked directorates with group policy affiliations are ‘expected to constitute a global upper class that will lose its national base and integrate the core sectors of the national economies’. Nollert, Michael, “Transnational Corporate Ties”, p. 294.

⁷⁵ Stephen Gill, *American Hegemony*, p. 122.

⁷⁶ William K. Carroll, *The Making of A Transnational Capitalist Class*, p. 55.

business power to be more effectively projected in the political and cultural spheres of the society⁷⁷.

The fairly globally-inclusive nature of these bodies apparent in the membership of increasing numbers of TNCs from, and increasing political involvement with, the capitalist south represents an “explicit attempt to articulate global political-economic interests”, Carroll argues⁷⁸. Yet, that is not to say that all the members have the same degree of importance and influence within the private foundations of the TCC. On the contrary, although the power of the members from the global south is increasing, those who originate from the capitalist core are dominant⁷⁹.

By bringing corporate elites together into an environment within which their behaviour becomes shaped by their transnational identity that makes them act in the interest of global capitalism, global policy groups become “agents of business activism”. They mobilise capitalists and various strata of intellectuals around visions and policies that enunciate the common interests of global capital. Therefore, politicians and the wider society, arguably, perceive those interests as “universal in scope”. This development, Carroll argues, is one of “the surest signs” that a TCC is, in fact, “in the making”⁸⁰. Thus, policies of liberalisation,

⁷⁷ Nollert, Michael, “Transnational Corporate Ties”, p. 294

⁷⁸ William K. Carroll, *The Making of A Transnational Capitalist Class*, p. 5, p. 179 and p. 225, Carroll and Carson describe these groups as “collective intellectuals” that manage the externalities in the system within which they global capital operates, William K. Carroll and Colin Carson, “The network of global corporations and elite policy groups: a structure for transnational capitalist class formation?”, *Global Networks*, 3: 1 (2003), p. 32.

⁷⁹ Regarding the active agent of the TCC: 80% of the biggest multinational corporations are based in the western core of the TCC, in the United States and the European Union. Besides, the US and the EU are the dominant trading powers in the world “and have a publicly stated commitment to promote their commercial interests by opening up markets in developing countries through the WTO”, Eagleton, Alex, “Under Influence: Exposing Undue Corporate Influence over Policy-Making at the World Trade Organization”, *Actionaid International*, January 2006, p. 2.

⁸⁰ For Carroll, ‘perhaps the strongest evidence for TCC formation lies in the further elaboration of an elite corporate-policy network, part of a transnational historic bloc of capitalists and organic intellectuals that builds consensus and exercise business leadership in the global arena’, William K. Carroll, *The Making of A Transnational Capitalist Class*, pp.54, 232, 228.

openness, deregulation and competitiveness are merely a reflection of this universality of interests⁸¹.

The assumption made explicitly in the TCC literature that states' politicians are members of, and identify themselves with, the transnational capitalist class is highly problematic. Among other things, it merely connotes that, inherently, politicians support and reinforce the interests of the TCC in order to maintain its hegemony in a capitalist system. The state, then, is reduced to an agent that *functions in favour* of capital and the capitalist class in a manner that detaches it, the state, from any other interests. Or at best the state acts as if its interests are identical with the interests of the TCC as they represent the interests of the society as a whole, assuming that the latter also subscribes to a hegemonic agenda of a hegemonic class. Sklair's argument, for example, presumes that the state is part of the TCC without introducing a conceptualisation of the state that would help to explain its classification as a 'capitalist' or part of the capitalist class, let alone a proper concept of the class. Although he realises how controversial such an argument is from a Marxist perspective, this fact changes nothing in his analysis to adequately address such weakness. On the other hand, the work of Carroll shows the state as powerless and subject to the will of the capitalists. Its non-class nature, for him, does not prevent its politicians from aligning their interests with those of the capitalists. It suggests that the form and role of the state are mere reflections of the economic structure and that the involvement of the state in global policy groups is a manifestation of the structural power of capital which, through ideology, expertise, and economic power, influences and controls the state.

Such a problematic assumption is evident also in Robinson's definition and conceptualisation of the TCC aforementioned. For him, as for Sklair, the TCC, through its organised inner circle

⁸¹ See Bastiaan van Apeldoorn, "European unemployment and transnational capitalist class strategy: The rise of the neo-liberal competitiveness discourse" in Henk Overbeek (ed.), *The Political Economy of European Employment* (London: Routledge, 2003), pp. 113-134.

of global policy groups, is “class conscious [and] conscious of its transnationality” and of its project of maintaining capitalist globalisation⁸². However, from a Marxist perspective, it is only the capitalist members of the TCC that could be regarded as constituting a “class-in-itself” since members of a class in a capitalist society, by definition, share a similar position in the mode of production, which the state does not, simply put. Also it is only the capitalist members of this class who could be seen as forming a class-for-itself given their consciousness of the interests they have in common and the ways in which they exercise their power towards achieving and advancing these interests in national and transnational spheres. Therefore, employing a theory of the state in the analysis of the power of the TCC would help in the task of developing a more appropriate conceptualisation of the position of the state within the structure of the TCC before analysing its role within this structure. It would provide an important tool that allows us to make more sense of why and how the state is involved in the activities of the TCC to an extent that its policies and strategies are seen as a reflection of the needs of the TCC itself. Therefore, one intention of this research is to overcome this problem by situating the formation of the TCC and its assumed overarching influence within a framework that is based on a Marxist conceptualisation of the state which would help by enriching the literature with more comprehensiveness and clarity. It would also help to map out the political structure of the TCC and the relationship between the political and other structures that the TCC arguably occupies. Moreover, instead of viewing the state as part of the capitalist class or an instrument in the hands of the capitalists because it is more convenient to assume so, this thesis introduces a conceptualisation of the position of the state within the capitalist system that would illustrate its involvement in the activities of the TCC without depicting it as part of the capitalist class or dominated by it, but rather as part of the global system of capitalism.

⁸² William I. Robinson, *A Theory of Global Capitalism*, p. 48.

The analysis of the power of the TCC is not a straightforward one. Such an undertaking necessitates, at least, a brief concept of class and, equally important, an adequate conceptualisation of the state and its role in the capitalist society. Addressing the first necessity would help us to situate the TCC within a more legitimate context, and one that is not arbitrary and ambiguously founded. It would make it easier to determine who belongs to the TCC and thus who contributes to its hegemony and power projection. This endeavour has the potential of mapping out where the power of the TCC originates from and who indeed constitutes its inner circle. Since our problem with the above conceptualisation of the TCC descends from its placement of state officials within the configuration of the class-in itself and, by extension, making it an agency of a class-for-itself, the analysis will firstly briefly touch upon the Marxist concept of class then will outline an open Marxist account of the state. To this task we turn in the next section.

2.3.The TCC, the State and Solving the Class Enigma

2.3.1. Wright's Contradictory Class Locations?

From a Marxist perspective, classes in a capitalist society are those who own the means of production or the means of survival (labour power) – the capitalist and the worker respectively. Classes, according to Marx, are constituted upon their economic conditions of existence which divides their mode of life, interests, and culture, from those of other groups and “put them in hostile contrast to the latter”⁸³. Based on this, to accept the arguments made in the TCC literature is to confirm that state officials are in a class position that makes them hostile to the

⁸³ Marx, Karl, “The Eighteenth Brumaire of Louis Bonaparte”, Translated by Daniel de Leon, *Socialist Labor Party of America*, December 2003 [1897], p. 106. Marx, Karl, *A Contribution to the Critique of the political economy*, Translated by N.I. Stone, (Chicago; the international library publishing co, 1904).

rest of the society, everyone outside the TCC. Wright maintains that state managers are “outside of capitalist production [...] neither possess nor are separated from the means of production and therefore occupy no class position at all. They are ‘outside’ of economic class relations altogether”⁸⁴. Therefore, state officials do not constitute part of a class in relation to the economic relations of production simply because they perform activities that seem to benefit the capitalist class. State officials, hence, have no material interests identical to the rest of the members of the TCC in the very specific fashion implied in the literature. Sklair’s argument, for example, indicates otherwise. As outlined above, the members of the TCC constitute a class-in-itself because they hold the same relationship to “the means of production, distribution, and exchange”; they are a capitalist class as they “own and/or control, individually or collectively, the major forms of capital” and finally they are a transnational one because their activities are confined to no political borders and their goal is to secure the interest of global capital in global accumulation “rather than any real or imagined nation-state”⁸⁵.

The TCC analysis yields the following conclusion: state officials are conscious of the interests of global capital only, at the expense of the rest of the society and other fractions of national capital. It is obviously not the state that is the producer, the labourer, or the exploiter, but it is the agency which, through regulations of, and intervention in, the economy, preserves the existence of the exploiter and the exploited, the capitalist and the labourer. The state sustains the system of production of which exploitation and antagonism are persistent logics. As will be demonstrated in our research, although operationalising competitiveness standards at a state level does facilitate the global accumulation of capital, the state does so in order to manage the capital-labour relations within its national boundaries. Thus, state officials have no consciousness identical to those of the capitalists. State officials are conscious only of their

⁸⁴ Erik Olin Wright, ‘Varieties of Marxist Conception of Class Structure’, *Politics Society*, 9: 3 (1980), p. 337

⁸⁵ Leslie Sklair, *The Transnational Capitalist Class*, p. 295.

interests in managing capital-labour relations. Based on that, their involvement in the activities of the WEF, for example, is an embodiment of this specific consciousness⁸⁶. Through their position in relation to class struggle, state officials tend to acquire a certain form of existence and, to borrow Eyerman's words "a being in the world", a being in the capitalist world⁸⁷.

In their study of the tenacity of classes in contemporary capitalism, Mike, Brooks and Manza note that a class "refers to a person's relationship to the means of production and/or labour markets"⁸⁸. From this one can infer that the nature of the state's relationship to classes stems from the effects its policies has on the accumulation process and the conditions of labourers in the labour market, hence, its position is neither one of a capitalist nor one of a labourer. According to Block, in a capitalist society, state officials are "forced to concern themselves" with conserving the "social order" in order to uphold their own existence which "rests on the maintenance of the political and economic order". On the contrary, the capitalist class, for example, is conscious only of its interests rather than of "what is necessary to reproduce the social order" in a changing world⁸⁹.

At a corporate level, preserving the order is a task executed by Managers. A Marxist conceptualization of class that could speak to the TCC literature, and to Sklair's and Robinson's work in particular, is the concept of "contradictory class locations" coined by Wright in order to locate corporate managers within the class structure. In addition to the petty bourgeoisie

⁸⁶ As stated by Ollman, class consciousness "is essentially the interests of a class becoming its recognized goals", Bertell Ollman, "Towards Class Consciousness Next Time: Marx and the Working Class", *Politics Society*, 3: 1(1972), p. 2. According to Landecker, class consciousness is "derived from the "actual position" of a person in the class system of the society and "his relations to others who share that position", Werner S. Landecker, "Class Crystallization and Class Consciousness", *American Sociological Review*, 28: 2 (1963), p. 221.

⁸⁷ Eyerman, Ron, "False Consciousness and Ideology in Marxist Theory", *Acta Sociologica*, 24:1/2 (1981), pp. 52-4.

⁸⁸ Mike Hout, Clem Brooks, and Jeff Manza, "The Persistence of Classes in Post-industrial Societies", *International Sociology*, 8; 3 (1993), p. 261.

⁸⁹ Fred Block, "The Ruling Class Does Not Rule: State Managers, Capitalists, and the Working Class in Capitalist Democracies", in Eva Etzioni-Halvey (eds.), *Classes and Elites in Democracy and Democratization: A Collection of Readings* (London: Garland Publishing, INC, 1997), p. 260.

and the middle class⁹⁰, Wright argues that “some locations in a class structure might be in two or more classes simultaneously”. For him, corporate managers have characteristics that warrant their classification into both the working class and the capitalist class. They are in the working class “insofar as they had to sell their labor power in order to obtain their livelihood”, they are in the capitalist class “insofar as they dominated workers within production”⁹¹. However, contradictory class locations are ones that have no direct ownership of the means of production. Its members contribute simultaneously to capital accumulation and to managing labour in the workplace. What makes them fundamentally different from state Managers is that they “simultaneously share the relational characteristics of two distinct classes” and, therefore, they “share class interests with two different classes but have interests identical to neither”⁹². State Managers share no interests with either classes although they function out of an imperative to manage capital-labour relations at national levels.

Managing capital-labour relations through preserving capital accumulation and regulating the labour market in a way that protects labourers’ existence as a commodity is an example of how Wright’s managers perform similar tasks within corporations to those of state officials as “circuit managers”⁹³ although for different purposes and from different positions. However, the state shares no particular interest with the capitalist or the labourers. The seemingly contradictory locations of state officials is perceived regarding what appears to be contradictory

⁹⁰ Karl Marx and Fredrick Engels, “Manifesto of the Communist Party”, in Karl Marx and Fredrick Engels (eds.), *Selected Works Volume 1* (Moscow: Foreign Languages Publishing House), pp. 34-44 and pp. 56-7. See also V. I. Lenin, *Lenin Collected Works Volume 9* (Moscow: Progress Publishers, 1972), pp. 438-446.

⁹¹ Given the contradictory and antagonistic interests of the working and the capitalist classes, “a dual class location that combined these two classes was dubbed a ‘contradictory location within class relations’”. Erik Olin Wright, “Rethinking Once again, the Concept of Class Structure”, in Erik Olin Wright, (ed.), *The Debate on classes*, (London: Verso, 1989b), pp. 301-2. For Lukács, corporate managers seeks only to mediate the relationship between the two classes, Georg Lukács, *History and Class Consciousness: Studies in Marxist Dialectics*, Translated by Rodney Livingstone (London: Merlin Press, 1968), p. 59.

⁹² Erik Olin Wright, “Varieties of Marxist Conception of Class Structure”, p. 395.

⁹³ Peter Burnham, “Marx, Neo-Gramscianism and Globalization”, in Andreas Bieler, et al, eds., *Global Restructuring, State, Capital and Labour: Contesting Neo-Gramscian Perspectives* (New York: Palgrave Macmillan, 2006b), p. 192.

political practice within the capitalist system. These are practices directed towards the reproduction of the social relations that characterise the system; the reproduction of domination and exploitation, of the dominant and the dominated, and of the exploiter and the exploited. Hence, the point to be made here is that they are located in a contradictory position in relation to the process of the reproduction of those economic class relations rather than in the system of production⁹⁴.

Building on that, despite the fact that state policies could imply an alignment with the interest of the capitalist class more than the working class, it should be emphasised that the state always works to contain the antithetical interests of the two classes. According to Marx, it seeks to “transform them into a harmonious whole”⁹⁵. During this process, attempts will be made by both classes to tie the interests of the state to their own interests. A manifestation of this is seen in the involvement of the state in the WEF’s activities⁹⁶. When Schwab, president of the WEF, addressed the participants at the 1987 Davos annual meeting, he addressed them as “a global community”⁹⁷. The involvement of politicians in the activities of such a community should be seen as a sign of the consciousness of state managers of their mandatory role of mediating the interests of this community and everyone outside it, primarily labour, at the national level⁹⁸.

⁹⁴ The social relations of production “impose a set of practices” on people related to those relations. “Those common practices systematically generate common experiences, which in turn are the basis for a common set of understandings about the world, Erik Olin Wright, “Rethinking Once again, the Concept of Class Structure”, pp. 288-9.

⁹⁵ Marx, Karl, “The Eighteenth Brumaire of Louis Bonaparte”, p. 42.

⁹⁶ In 2009, the participation of state officials was unprecedented, where forty heads of state or government, most of the leaders of the major international organizations, and over 100 ministers attended the annual meeting besides the world’s leading experts and academic thinkers. This degree of political participation showed the need to establish necessary cooperation channels to manage capital-labour relations in a context of financial and economic crisis.

⁹⁷ Schwab, Klaus, quoted in The World Economic Forum, *The World Economic Forum: A partner in Shaping History* (Cologne: The World Economic Forum, 2009) p. 72.

⁹⁸ See for example, Ronald Reagan’s speech in 1982 at the Forum in The World Economic Forum, *A partner in Shaping History*, pp. 44-5. The forum’s annual meeting was described by an official document by the WEF in 1983 as “one of those increasingly rare international events where formality can be dispensed with, where personal contacts can be made, where new ideas can be tried out in complete freedom, where people are aware of the responsibilities involved in belonging to an international community”, European Management Forum, “Highlights of the Symposium and Summary of the Programme”, *Davos Symposium 1983*, in the World Economic Forum

In order to develop this understanding of the role of the state within the global economy and in relation to the TCC, the thesis employs an open Marxist (OM) approach. Explaining the role of state officials as “circuit managers” and clarifying their relationship to both capital and labour will help address the weaknesses in the TCC literature discussed above. To this end, the next section will provide an OM account of the role of the state. OM provides credible analytical elements that assist in the understanding of the form and role of the state at both national and transnational levels and in relation to the TCC. Moreover, it will provide answers to questions of why, and how, the state participates in the WEF, representative of the TCC? Why does the state adopt competitiveness policies? What implications does this have for the functioning of the TCC and for capital accumulation and global capitalism in general?

2.3.2. The State and the Market through an Open Marxist lens

OM differs from most Marxist theories of the state in that it evades portraying the state in a structuralist/deterministic or instrumentalist manner. It does so by taking the social relation of production as the point of departure. Its primary assumption is that the separation between state, capital and labour is ‘illusory’ and that the relations between the state and civil society are forms of the social relations of production, as Burnham argues⁹⁹. He explains that the view of politics and economics as separate “distorts the relationship between the state and globalization” and, consequentially, leads most IPE and IR scholars to draw “external linkages” between the two instead of realising that nation-states live as “moments within the global flow of capitalist social relations”. Contrary to the neo-Gramscian analysis prevalent in the TCC

(ed.), *A partner in Shaping History*, p. 47. For behaviour and belief as qualifications to a class membership, see Centers, Richard, 1949, *The Psychology of Social Classes: A Study of Class Consciousness* (New York: Russell & Russell, 1949), p. 211.

⁹⁹ Peter Burnham, “Globalisation, Depoliticisation and ‘Modern’ Economic Management”, in Werner Bonefeld and K. Psychopedis (eds.) *The Politics of Change: Globalisation, Ideology and Critique* (London: Palgrave, 2000), p. 10.

literature, OM perceives of the changes in the way capital exists globally as a reflection of the “changing contradictions between capital, the state and labour”¹⁰⁰ rather than domination of capital over the state’s management of labour.

The state and market are far from being two separate bodies where either of them is dominant over, or determinant of, the form and role of the other as structural Marxism supposes¹⁰¹. Rather, they prevail in a way that reflects the social relations that establish them¹⁰². Accordingly, capitalism develops as a reflection not of the political restructuring imposed by global capital, but of the development of class struggle. In particular, the state does not “correspond to, or reproduce, economic relations”. The state is the political entity that “complements the economic as, together, different forms of the same fundamental class antagonism”¹⁰³. The state is the agent which keeps the struggle intact. It is “a form of capitalist social relations” and only “an aspect of the social relations of production” that is founded upon reproducing the conditions of antagonistic and exploitative relations within the capitalist system¹⁰⁴.

The main critique OM makes is that by treating politics and economics as separate entities, the changing form of the state towards transnationalisation is understood in abstraction from class relations. As pointed out by Burnham, class struggle is perceived as isolated from triggering

¹⁰⁰ Andreas Bieler and Adam D. Morton, “Globalization, the State and Class Struggle: A Critical Economy Engagement with Open Marxism”, in Andreas Bieler, et al, (eds.), *Global Restructuring, State, Capital and Labour*, pp. 158-60.

¹⁰¹ Louis Althusser, *On the Reproduction of Capitalism: Ideology and Ideological State Apparatuses*, translated by G.M. Goshgarian (London: Verso, 2014); Louis Althusser and Etienne Balibar, *Reading Capital*, 2nd edition, translated by Ben Brewster (London: NLB, 1977); Louis Althusser, *‘Lenin and Philosophy’ and other Essays* (New York: Monthly, Review Press, 1971).

¹⁰² The political and economic spheres constitute a ‘contradictory unity...a movement of contradiction’, Werner Bonefeld, ‘Social Constitution and the Form of the Capitalist State’, in Werner Bonefeld, Gunn, Richard, and Psychopedis, Kosmas, eds., *Open Marxism: Volume I Dialectics and History* (London: Pluto Press, 1992), pp. 98-100.

¹⁰³ The political and economic spheres constitute a ‘contradictory unity...a movement of contradiction’, *Ibid.* p. 113.

¹⁰⁴ Andreas Bieler and Adam D. Morton, “Globalization, the State and Class Struggle”, p. 159.

the restructuring process in national states. As is mostly the case in the TCC literature, both the state and labour are perceived as “powerless” and “passively” answering to the dictates of transnational money-capital¹⁰⁵. Burnham rejects the assumption made by neo-Gramscians that the state acts as a “transmission belt from world to domestic economy” and that the state “has become ‘internationalised’ from the ‘outside-in’”. For the neo-Gramscians, the state is subjugated to “something greater than the state, orchestrating ‘governance without government’”¹⁰⁶. In particular, Cox views the impact of the “global centralisation of influence” upon the national state as a result of what he calls “the internationalising of the state”. It mainly leads to remaking the state into “an agency for adjusting national economic practices and policies to the perceived exigencies of the global economy”. From this perspective, explaining how the discourse of competitiveness of the WEF, as a site of the TCC, becomes adopted by national governments seems rather simplistic. In this sense, the state “becomes a transmission belt from the global to the national economy” and the power within the state “becomes concentrated in those agencies in closest touch with the global economy” such as finance ministries and central banks¹⁰⁷.

The central issue Burnham takes against this stand is that class relations exist on a world level rather than on national levels. He rejects the assumption that class relations exist only in national contexts and that its influence gets projected within the government that, by its political nature, has a role outside its borders. He notes that “the state itself is a form of the class relation, which constitutes global capitalist relations”¹⁰⁸. On this basis, OM rejects the

¹⁰⁵ Peter Burnham, “The Politics of Economic Management in the 1990s”, in Andreas Bieler, et al, eds., *Global Restructuring, State, Capital and Labour*, p. 94.

¹⁰⁶ *Ibid.*, p. 93, see Cox, Robert W., ‘Global Perestroika’, in Ralph Miliband and Leo Panitch, (eds.), *The Socialist Register: New World Order?*, (London: Merlin Press, 1992), pp. 30-31.

¹⁰⁷ *Ibid.* pp. 30-31.

¹⁰⁸ Peter Burnham, ‘State and Market in International Political Economy: Towards a Marxian Alternative’, *Studies in Marxism*, 2 (1995), p. 149, quoted in Andreas Bieler and Adam D. Morton., 2006, “Globalization, the State

assumptions that portray the state as manipulated by global capital as neo-Gramscians would explain the power of the TCC. It also discards the argument made by structural Marxists that the state is losing power to market forces, in such a way they would explain the context of the 1980s that signalled the demise of the Keynesian state.

Thus, the state should be understood in terms of its relation to the global market and global capital. Its class character is “entailed in its form-determined purpose” intended to uphold capitalist ownership and property. Thereby, it preserves labour’s freedom in relation to the means of production and it does so by maintaining the existence of wage-labour as – “a living commodity”. Upholding labour in such a manner is the precondition for the existence of capital; this process attains “political existence in the form of the state”. To be precise, it is in this sense that the state appears as a “capitalist state”¹⁰⁹.

The reproduction of capitalist social relations of production “from the overseer, to the managing director, state managers, international agencies and alliances between states” depends on capital’s ability “to harness and contain the power of labour within the bounds of the commodity-form”. Thus, the struggle in everyday capitalism is a struggle “in and against the dominance of the commodity-form” which sometimes take the form of economic crises. Building on this, Burnham argues that Marx’s approach “sees relations between national states in terms of the social relationships, which constitute states as moments of the global composition of class relations”. States are aspects of the social relations of production who,

and Class Struggle: A Critical Economy Engagement with Open Marxism”, in Andreas Bieler, et al, (eds)., *Global Restructuring, State, Capital and Labour*, p. 191.

¹⁰⁹ Peter Burnham, “Marx, Neo-Gramscianism and Globalization”, p. 192.

Burnham argues, intervene in the society in the form of the “management of labour and money”¹¹⁰.

The fact that states act as “regulative agencies” concerned with the reproduction of global capital through maintaining its continued accumulation should not be taken to mean they represent the interests of national capitalists of any other form of capital or that they are controlled by them. Rather, the state’s role is centred on eliminating whatever comes in the way of capital accumulation when capital flows through its borders. Hence, the state works to consolidate the continuous accumulation of capital within and outside its borders¹¹¹. In most of the advanced capitalist states and especially in response to the 1980s crisis, Carter contends, states have become “managerial states” due to the imperative of depoliticising the management of the relationship between capital, labour and the state. A manifestation of such strategy of the state is delegating power to “managers” in less political departments such as central banks¹¹². Consequently, governments have become able to “‘externalize’ the imposition of financial discipline on labour and capital”. Hence, the government has enhanced its power in relation to labour “since it can be argued forcefully that price stability really is the crucial determinant in the GPE and lack of ‘competitiveness’ translates directly into a loss of jobs and profits”, Burnham notes¹¹³.

Furthermore, with the intensive development of the world economy and capital markets, state Managers tend to restructure their practices using market mechanisms to “‘depoliticise’ the

¹¹⁰ Peter Burnham, “The Politics of Economic Management in the 1990s”, p. 97. This is in accordance to Marx’s and Engel’s view of class struggle and the development of the capitalist system: “The history of all hitherto existing society is the history of class struggles”, Karl Marx and Fredrick Engels, “Manifesto of the Communist Party”, in Karl Marx and Fredrick Engels (eds.), *Selected Works Volume 1*, p. 34.

¹¹¹ Peter Burnham, “The Politics of Economic Management in the 1990s”, p. 194.

¹¹² Bob Carter ‘Restructuring State Employment’, *Capital & Class*, 21: 3 (1997), pp. 65–85)

¹¹³ Peter Burnham, “The Politics of Economic Management in the 1990s”, in Andreas Bieler, et al, (eds.), *Global Restructuring, State, Capital and Labour*, pp. 102-3

management of difficult aspects of public policy”. As affirmed by Burnham, the antagonistic class relations make changes in the global capitalist system always a possibility as the state and capital aim to eradicate any obstruction in the way of capital. Essentially, state managers “are above all circuit managers”¹¹⁴. Therefore, contrary to the neo-Gramscian belief, what globalization actually does is that it merely magnifies the already existing capital circuits and expands the mandate of the state as a “regulative” agency beyond its borders in order to manage “the rotation of capital”¹¹⁵.

As a result, the structures that the state in the capitalist society have taken are an outcome, forced both on the state and capital, of the “historical development of class struggle which compelled the state to reconstruct the way in which labour is contained within the context of the expanded reproduction of value”¹¹⁶. The state seeks to normalise the “bourgeoisie society” through safeguarding property rights. In doing so, the state, practically, enforces “the substantive guarantee of exploitation” which transforms the state into a principal agent in the capital-valorisation process¹¹⁷. Hence, for OM, the state can be seen as a “political organizer of the republic of market”. However, it enforces only “formal freedom and equality as a mode of existence of exploitation”. Thus, the political guarantee of the right to property “determines the state as a strong state” that mitigates the class antagonism in society through orchestrating

¹¹⁴ Peter Burnham, “Marx, Neo-Gramscianism and Globalization”, in Andreas Bieler, et al, (eds.), *Global Restructuring, State, Capital and Labour*, p. 192.

¹¹⁵ *Ibid.*

¹¹⁶ More specifically, the working class has a “constituting power” which ‘inverts into the power of capital insofar as capital is able to contain labour as a moment of its own social existence. The power of capital is hence a historically specific form of social command that appropriates the determining power of labour as a moment within the process of capital as self-valorizing value’. Thus, the dominate position of capital “is a process of its own self-contradictory mode of existence. Thus, given that the state is a mode of existence of class struggle (relations), the state becomes a ‘self-contradictory form’ “.Werner Bonefeld, “Social Constitution and the Form of the Capitalist State”, in Werner Bonefeld , Richard Gunn, , and Kosmas Psychopedis, (eds)., *Open Marxism: Volume 1*, pp. 101-2, p. 104, and p. 114.

¹¹⁷ *Ibid*

an artificial rationality upheld by law¹¹⁸. As a result, exploitation and profit-making take the shape of political domination. The state acquires existence as “the political concentration of social normalisation, organisation and domestication of social conflict in forms conforming to formal rights and the safeguarding of these rights through coercion”¹¹⁹.

The development of the state and its role needs to be seen as “one in which the contradictory unity of surplus value production is processed in a political form”; it needs to be seen as “a moment of the same process of class struggle: social reproduction as, and in and against, domination”¹²⁰. Namely, the form and role of the state do not develop as reflections of “political and ideological changes”, they do not develop as results of “economic crisis”, as it is assumed by structural Marxism, they develop as modes of “motion of the self-contradictory form of the capitalist state in the face of the crisis-ridden development of accumulation”¹²¹.

Strictly speaking, seeing the state in this way means that the state cannot be manipulated by, or dependent on, capital as structural and instrumentalist Marxist approaches contend. The state works to preserve “the reproduction of the social form of social reproduction”¹²² within which capital is dominant. Therefore, as noted by Bonefeld, “One cannot derive the historical development of the state from the specific interests served by particular policies”. He affirms that the form of the state needs to be seen as “a mode of existence of the class relation which

¹¹⁸ “Instead of privileges, the state sets rights; instead of relations of will and power, the state sets the relations of legality; instead of despotism, the state concentrates coercion as law and order; instead of relations of conflict, the state sets contractual relations of social interaction”. *Ibid.* pp. 116-7

¹¹⁹ *Ibid.* p. 117, The process of “*legalisation* (as well as political supervision) of the relations of production means the ‘statification’ of these relations that purpose of which is to develop them in ‘politically supervised, legally controlled, non-conflictual forms”. *Ibid.* pp. 118.

¹²⁰ *Ibid.* 119

¹²¹ *Ibid.* 121

¹²² *Ibid.*

constitutes and suffuses the circuit of capital”. Subsequently, the state is a political form of existence of labour within capital¹²³.

Hence, the state should be perceived in relation to the “global character of capitalist accumulation” since it is by nature a “form” of class relations that are global in reach¹²⁴. States exist as “political ‘nodes’ or ‘moments’” within the global accumulation of capital, the antagonistic nature of the latter impinges on the state and influences the development of its form. For that reason, the state improves its position in the global economy by “increasing the efficiency of capitalist exploitation operating within [its] boundaries”¹²⁵.

Whether capital has a dominant position because of the economic power it has to manipulate the state and force it to always act in its favour at the national and transnational levels; or whether it is the fact that the natural role of the state is to keep the system working through preserving the conditions of its reproduction; both logics do not eliminate the necessity of securing the dominance of class antagonism and domination which appear in the form of capital global hegemony.

¹²³ It is through the power of money “as form of value that the imperatives of capitalist social reproduction make themselves felt to the state. The displacement of the antagonism of capital and labour in the form of monetary pressure involves the state because of the state’s responsibility for national currency (state as central banker)” *Ibid*, pp. 122-4

¹²⁴ Peter Burnham, “State and Market in International Political Economy: Towards a Marxian Alternative, *Studies in Marxism*, 2 (1995), p. 149.

¹²⁵ Peter Burnham, “Marx, Neo-Gramscianism and Globalization”, in Andreas Bieler, et al, (eds.), *Global Restructuring, State, Capital and Labour*, pp. 190-1, The world economy affects national economies through the “movement of money capital [...] that polices the effectiveness of the ‘domestic’ exploitation of labour” Bonefeld, Werner, 2006a, “Social Constitution and the Spectre of Globalization”, in Andreas Bieler, et al, (eds.), *Global Restructuring, State, Capital and Labour*, p. 51.

Conclusion

In this chapter I have presented the various literatures proposing the emergence of the TCC and its growing clout in the global economy since the early 1970s suggesting that the formation of class structure in the contemporary capitalist society has transcended state borders and power and now takes place at the global economy level. The new developments in the global economy commencing in the 1970s-1980s and coinciding with the rise of neoliberalism, represented most importantly in the globalisation of production, exchange and distribution, have arguably reflected the domination of financial capital over other forms of capital which took shape in the demise of the Keynesian state and destruction of labour power. For neo-Gramscians such as Gill and Van der Pijl, the role of the state has been quite detrimental in the rise of such a class. Throughout their analysis, they noted the non-autonomous nature of the state which has been captured by capitalist forces that assumed hegemony as a result of these changes. Although their account contextualised the development of a “transnational historic bloc” within the conditions of American capitalism and hegemony, their analysis presented its development as being led initially through the management of inter-state relations in the Triad region and, eventually, beyond.

For the TCC scholars, its rise has manifested in the growing power of TNCs accompanied with capturing state officials from their national interests to a stage where they acquire only transnational interest and identities. Whether state officials were seen as capitalists (Sklair), non-capitalist (Robinson), or neither (Carroll) the conclusion is one: the power of the TCC has become visible and manifest in national policy-making. Global policy groups such as the WEF, TC, ERT, ICC, and WBCSD are sites at which the influence of the TCC is concentrated and centralised. Their role is to bring TNCs, globalising politicians, mostly from the advanced capitalist core, globalising professionals and neoliberal intellectuals

together to develop a common agenda of managing the global economy and the global accumulation of capital.

I have also demonstrated through briefly touching on the Marxist concept of class and introducing a theory of the state, which the TCC literature lacks, the weaknesses of such theorisations of the TCC and the claims made regarding the state, class and the relationship between the national and the global; between globalisation and the state; between labour, capital and the state. The chapter argued that such a theoretical framework allows us to look at the role of the state differently, that is, without economic determinism or instrumentalising the state by capital, and/or labour. As “circuit managers”, I argue, states’ relation to the TCC should be seen as a manifestation of the consciousness of their system-determined role in managing class relations, which are global in nature, within their national boundaries. In that sense, what seems to be an imposed discipline of competitiveness on states by the TCC, is in reality a product of the management of capital-labour relations characterised by antagonism, and by struggle in and against domination in order to sustain the continuation of global capital accumulation.

Thus, the hegemony of the discourse of competitiveness has to be seen outside the prism of the cultural hegemony of the TCC, as Neo-Gramscians would argue¹²⁶, but rather as a manifestation of the form of labour contained within capital and maintained by the state. The penetration of competitiveness into national policy-making evident today is the form class struggle has taken politically. Therefore, adopting competitiveness standards, designed by globalising professionals, is not a tool to enforce the hegemony of the TCC in a neoliberal globalising age as much as a nationally modified form of capital-circuit management by the

¹²⁶ In this respect, the state is seen as “the entire complex of theoretical and practical activities” with which the ruling class not only “maintains its dominance, but manages to win the consent of those over whom it rules”. Antonio Gramsci, *Selections from the Prison Notebooks*. (edited and translated by Q. Hoare and G. N. Smith) (London: Lawrence & Wishart, 1971), p. 244. See also, Bob Jessop, *State Theory: Putting the capitalist States in their Place* (Oxford: Polity Press, 1990), p. 341.

state. As Bonefeld emphasises, even though the global economy has become the force that is structurally determinant, the state “remains central” given that it still controls the labour force, it provides the “cultural, political and social conditions that capital, however, requires for its reproduction”¹²⁷. It is the state’s involvement within the structure of the WEF and other policy groups that is significant in the reproduction of class relations and antagonism; the reproduction of capitalism on national and transnational levels. When states accept standards of competitiveness, this should not be considered as an evidence of their self-identification with the WEF¹²⁸. On the contrary, it should be perceived of as an acceptance of their responsibility in managing capital-labour relations on a national level¹²⁹.

In the next chapter we will develop an OM account of discourse and the role of ideas that we consider important to OM accounts of states as “circuit managers”. It will help us understand in what way the discourse of competitiveness forms an integral part of the management of the state-capital-labour relation in contemporary global capitalism – reproducing the relations of production.

¹²⁷ Bonefeld, Werner, “Social Constitution and Critical economy”, in Andreas Bieler, et al, (eds.), *Global Restructuring, State, Capital and Labour*, p. 176.

¹²⁸ For an account of how class consciousness relates to the capitalist and working classes see Glantz, Oscar, “Class Consciousness and Political Solidarity”, *American Sociology Review*, 23; 4(August 1958).

¹²⁹ The nation state isn’t “the container out of which” the transnational emerges but it is a one political node within the transnational. The transnational, political and economic are “initially and continually mutually constitutive to the production and reproduction of social relations”. Huw Macartney and Stuart Shields, “Space, the Latest Frontier? A Scalar Relational Approach to Critical IPE” in Stuart Shields, Ian Bruff, Huw Macartney (eds.), *Critical international political economy*, pp. 29-30.

Chapter Three

Assessing the Power of the TCC: Open Marxism and Discourse Analysis

In the previous chapter we argued that the state figures as a moment in the global accumulation of capital; a moment in the social relations of production whose role is to manage the relationship between capital and labour through the management of the global circuit of capital, within which the state represents only a politically and geographically bounded ‘node’. The role of state officials as “circuit managers” is inherently conditioned by class antagonism and struggle within the crisis-ridden development of capitalism. Moreover, we established that the

relationship between the state and the TCC, and its global policy groups, should be viewed in light of the state's interests in managing capital-labour relations within its economy. Its class character is derived from its purpose of preserving capitalist ownership and labour as a commodity contained within capital. This is in contrast to the TCC literature that presents state officials as part of the TCC or perceive of the state as being captured by the TCC and its interests. The only consciousness state officials hold is one that is focused on maintaining the reproduction of class antagonism and the capitalist social relations of production. It in this context that state officials' involvement in the WEF and the operationalisation of its competitiveness discourse should be understood.

Given that the TCC developed essentially in the second half of the 20th century and gained its momentum in the 1980s, it is necessary to understand the global political and economic developments that accompanied, and led to, its emergence. The supremacy of money capital, its relation to the labour market, and its increased concentration and centralisation are important aspects that should be taken into consideration if we are to adequately comprehend the formation of the TCC and its evolution, and how the state figures within this context. The collapse of Keynesianism and the shift to monetarism in the early 1980s, the deregulation of the global market, and the re-composition of the relationship between the state and society are important elements for such a comprehension. Through an Open Marxist analysis of this historical context, we would be able to provide an alternative reading to that adopted by neo-Gramscians such as Van der Pijl and Gill.

The first section of this chapter seeks to shed light on the process of the transnationalisation of the political in the second half of the past century through focusing on the relationship between the state and global capital. It will highlight the conditions of the global market and class struggle by contextualising it, first, within the Keynesianism form of regulation of the relations between capital and labour managed by the state. After that follows an analysis of the shift

from Keynesianism to Monetarism and the deregulation of the global market, and how such a shift has impinged upon capital, labour and the state.

In the second section, the analysis will be cemented by developing an Open Marxist account of the role of neoliberal ideas in such shifts and how this relates to the role of state officials as circuit managers. It will attempt to offer an account of the role of discourse in the (re)production of the social relations of production; its role in the production of class antagonism by the state in a capitalist society as a way of managing capital-labour relations within its jurisdiction. I argue that what has become a conventional, and convenient argument, for many academics and non-academics – that the WEF projects its power over the states involved in its activities at the expense of their own citizens – is weakly established and lacks a thorough and systematic analysis of the means through which this power is channelled. We argue that an analysis of the WEF’s competitiveness discourse is important in order to properly examine its influence over policymaking within the state. The reminder of this chapter is that OM needs to be able to account for the role of ideas in the reproduction of the capitalist social relations if the role of the state in managing capital-labour relations is to be fully comprehended. As will be shown, an account of the role of discourse does not contradict with OM’s theoretical underpinnings. Rather, it adds to explanatory power by considering the discursive and ideological, as a form of class struggle as well alongside the political. Discourse is not a form of domination as argued by Neo-Gramscians, rather it is one site upon which class struggle is conducted and through which the state manages capital-labour relations.

3.1. Keynesianism and Monetarism: ‘Real’ and ‘Speculative’ Reproduction of the Social Relations of Production

With the deregulation of the global market that began, extensively, in late 1970s in most western countries, global capital became enormously dominated by money-capital replacing productive-capital, as discussed in Chapter Two. This shift has laid significant pressure on the state and pushed for a transformation and the restructuring of its form and role at the national and transnational levels. More specifically, the political development of the state has become conditioned by “the movement of money on the world market”¹³⁰. However, this is not to say that money capital only came into existence in the 1970s. Rather, the point to be made here is that although money has always been “a dominant form of power relations in capitalist society”, in recent years “it has assumed a new quality, acquired a new brazenness”, as Bonefeld and Holloway note¹³¹. Therefore, as argued before, globalisation should be conceived of as simply a process of augmenting the existing circuits of capital and expanding the role of the state as a regulative agency of the global accumulation of capital within and outside its borders given that the relations that constitute its form are global in nature¹³².

Contrary to the neo-Gramscian argument that the growth in the influence and size of the money capital market made the state “accountable to a nébuleuse personified as the global economy”¹³³, or as Bonefeld calls it “invisible world” economy¹³⁴, the state regulates capital accumulation and class struggle at the transnational level provided that capital is essentially global and that the function of the capitalist state has always been to secure the “‘common interests’ of a capitalistically organized form of social reproduction: capital accumulation”¹³⁵.

¹³⁰ Werner Bonefeld and John Holloway, “Introduction: The Politics of Money”, in Werner Bonefeld and John Holloway, (eds.), *Global Capital, National State and the Politics of Money* (New York: Macmillan Press, 1995), pp. 1-2.

¹³¹ *Ibid.*

¹³² Peter Burnham, “Marx, Neo-Gramscian and Globalization”, p. 192.

¹³³ Robert W. Cox, “Global Perestroika”, p. 27.

¹³⁴ Werner Bonefeld, “Social Constitution and the Spectre of Globalization”, p. 53.

¹³⁵ *Ibid.* pp. 64-5.

According to Burnham, the most important feature of the global capitalist system is “the *national political constitution of states and the global character of accumulation*” [Emphasis in original]¹³⁶. He maintains that states are best conceived as “differentiated forms of global capitalist relations”¹³⁷.

In particular, while governments directly manage national labour markets, they also have to manage the relationship between labour and capital at the transnational level¹³⁸. That is, within its jurisdictions the state provides the national political conditions for a globally mobile capital but in the world market, which falls outside these jurisdictions, the state seeks to institutionalise the basis for progressing capital accumulation through international property rights and contracts manifest in the role of international organisations such as the WTO. Thereby, the state maintains the existence of labour as a living commodity within the limits of capital accumulation. Namely, the state is only accountable to the imperative of regulating class struggle and capital accumulation on the transnational level. As affirmed by Burnham, this imperative is derived from the fact that the national market and its industries “acquires its livelihood as capitalist industry only through the world market” where the latter is “posed as the ‘categorical imperative’ of capitalist production” within, across and beyond the state¹³⁹. Hence, the productivity, and flexibility, of national labour also acquires its livelihood through the world market. As noted by Bonefeld, it is the world market that “suffuses, confirms and contradicts the ‘domestic’ exploitation of labour” and it is in, and through, the world market that labour is defined as “socially necessary labour”. Consequentially, the national regulation of labour “subsists” through the global management of labour¹⁴⁰. The development of the role

¹³⁶ Peter Burnham, “Capital, Crisis and the International State System”, in Werner Bonefeld and John Holloway, (eds.), *Global Capital, National State and the Politics of Money*, p. 103.

¹³⁷ *Ibid.* p. 104

¹³⁸ *Ibid.*

¹³⁹ *Ibid.* p.50.

¹⁴⁰ *Ibid.*

and form of the state is a manifestation of its management of these transnational capitalist relations of production.

States' regulation of their domestic markets necessitates improving "their position in the hierarchy of the price system". As argued earlier, in order to mitigate the effects of crises and recessions, states have to increase the return to capital accrued from labour exploitation. For this purpose, at the top of states' agenda is the need for "political reorganisation" arising from "the dynamic forces of capital accumulation"¹⁴¹. This reorganization of the political is not to be understood as a reflection of the crisis of the economic but both, the political and the economic, as forms of the restructuring of the social relations of production that results from the inherent contradiction of capital accumulation.

The imperative of "political reorganisation" has its importance in the role assumed by the state in "the "mobilisation" [...] of the counter-tendencies to the falling rate of profit". When capital faces difficulties of accumulation as a result of its own contradictions and intensified class struggle, it becomes "less and less able to reproduce directly its own existence as class rule". It is here specifically that reproduction becomes mediated by the state throughout all its institutions¹⁴². Supposedly, through this restructuring the state becomes able to reproduce "capitalism within its boundaries" where it becomes attractive to mobile capital and able to "immobilise capital within its territory"¹⁴³, thus maximising its economic growth, employment and living standards. Implementing the standards of competitiveness should be seen as an attempt in this direction, reproducing capital within state boundaries. However, it is worth noting here that the relationship between global capital and the national state is not the same

¹⁴¹ John Holloway and Sol Picciotto, "Capital, Crisis, and the State", *Capital & Class*, 1: 2 (1977), p. 92.

¹⁴² *Ibid.* p. 94.

¹⁴³ John Holloway, "Global Capital and the National State", in Werner Bonefeld and John Holloway, (eds.), *Global Capital, National State and the Politics of Money*, p. 127.

for all states because although all states “are constituted as moments of a global relation, they are distinct and non-identical moments of that relation”¹⁴⁴. Such variance should be expected to result in different state approaches to competitiveness and varying degrees of the penetration of its discourse within state institutions.

In the following section, we will look at how the shift from Keynesianism to Monetarism and global market de-regulation impacted upon the state given its responsibility in managing class struggle and addressing the question of labour.

3.1.1. Management through Adjustment: Welfare and the Capital-Labour Relations

The welfare and interventionist state as a form taken by the political sphere was born out of increased competition in the world market, increased concentration of capital and social consolidation after WWII. These factors led to an expanding role for the state in regulating, managing and monitoring the economy¹⁴⁵. In class terms, Keynesianism was “a mode of domination, a mode of containing the power of labour”¹⁴⁶. According to Bonefeld, by the mid-1970s, Keynesianism started to appear as “a spent force” since “the spectre of a socially reformed and economically vibrant capitalism” came under pressure due to mounting unemployment, hyperinflation, balance of payments deficits, depressed rates of profit and economic recession¹⁴⁷. The inadequacy of the Keynesian mode of domination was felt when

¹⁴⁴ *Ibid.* p. 125.

¹⁴⁵ Joachim Hirsch, “Fordism and Post-Fordism: the Present Social Crisis and its Consequences”, in Werner Bonefeld and John Holloway, (eds.), *Post-Fordism and Social Form: A Marxist Debate on the Post-Fordist State* (London, Macmillan Academic and Professional, 1991), p. 17.

¹⁴⁶ John Holloway, “The Abyss Opens: the Rise and Fall of Keynesianism”, in Werner Bonefeld and John Holloway, (eds.), *Global Capital, National State and the Politics of Money*, p. 8.

¹⁴⁷ Werner Bonefeld, “Monetarism and Crisis”, in Werner Bonefeld and John Holloway, (eds.), *Global Capital, National State and the Politics of Money*, p. 35.

the welfare system, which absorbed increasing amounts of state spending, became a reason for the fiscal crisis of the state, and when the Fordist structure of accumulation had “began to become a *barrier* to the valorisation of capital”¹⁴⁸.

Distinctively, the Keynesian form of managing capital-labour relations became a factor of crisis not simply because “it institutionalises certain standards of material reproduction for the working class” but rather because of the limits this form of regulation have in terms of the state’s ability to “pursue a ‘structural policy’ which can promote a socio-technological process of modernisation”, argues Hirsch ¹⁴⁹. As a result, class struggle reached the point where labour could no longer be contained by capital due to its institutionalised inflexibility. Therefore, capital responds by seeking to resolve such pressure through overaccumulation on a global level. Building on this, the state experienced the global crisis of accumulation in a national form¹⁵⁰.

The expansionary policies of the Keynesian state allowed for the exploitation of labour to be underpinned by credit rather than real exploitation, assuming that the state can secure people’s ability to get their credit translated into money. Consequently, Keynesianism contained labour into production through “speculative” means, the credit issued was not matched by production. What followed then was an inflation and fiscal crisis of the state since the latter finances the deficit in balance of payments mainly from its reserves and revenues but also at a certain point by borrowing from Eurodollar banks which meant an “accumulation of debt”¹⁵¹. In order to avoid severe economic crisis and recession, which is usually accompanied with a political

¹⁴⁸ Joachim Hirsch, “Fordism and Post-Fordism”, p. 18 and p. 20.

¹⁴⁹ *Ibid.* p. 20-22.

¹⁵⁰ Peter Burnham, “Capital, Crisis and the International State System”, p. 109.

¹⁵¹ Werner Bonefeld, “Monetarism and Crisis”, p. 42.

crisis, deregulation of income, employment and welfare security becomes inescapable¹⁵². As explained by Bonefeld, capitalism under the sponsorship of the welfare state was “living beyond its means”¹⁵³.

Therefore, as was the case in many advanced economies, politicians chose to suppress “anything remotely resembling a revolutionary threat”, notes Holloway. The state rolled back its extended arm that accompanied Keynesianism and oppressed trade unionists and excluded them from participating in policymaking which was the hallmark of welfare corporatism¹⁵⁴. Eventually, monetarism was adopted in the 1980s as a means to tackle inflation through deflationary means. Monetarism sought to make workers bear the cost through intensified exploitation, low wages, cuts in services, and through breaking up the relationship between public spending and wages while capital was relieved through fiscal incentives. Thus, the state had to prioritise the management of social control - through removing any guarantee on economic and financial security - over easing the impact of unemployment - through further welfare spending¹⁵⁵. In consequence, work had to be imposed on the labour army reserved under the benefit scheme as a condition for economic recovery. Moreover, most of the old guarantees associated with the old model had to be abolished. Monetarism is a vote for “market freedom and a natural rate of unemployment” in the Smithian sense¹⁵⁶. What this meant for the working class is that it had to put limits to its expectations. In Bonefeld’s words, the working class expectations had “to conform ... to the limits of the market, without the state meddling

¹⁵² *Ibid.* p. 43.

¹⁵³ *Ibid.* p. 52.

¹⁵⁴ John Holloway, “The Abyss Opens: the Rise and Fall of Keynesianism”, p. 12.

¹⁵⁵ Werner Bonefeld, “Monetarism and Crisis”, p. 52 and pp. 36-7. Poulantzas stresses the importance of productive capital as having a decisive role in the development of capitalism which is to be ascribed to its direct relation to the exploitation of labour; the “only real source of value”¹⁵⁵. Nicos Poulantzas, *Classes in Contemporary Capitalism*, pp. 110-115.

¹⁵⁶ Werner Bonefeld, “Monetarism and Crisis”, pp. 36-7.

in the market through policies designed to guarantee employment and income”¹⁵⁷. The UK is a prime example of such a shift and will be explored in detail in Chapter Eight.

To recap, monetarism promised to be an effective means of servicing debt and avoiding further draining of surplus value as the rate of debt would be higher than the rate of surplus value produced. Otherwise, capital accumulation and profit would stand under massive pressure and would lead to “bad debt and financial crisis”¹⁵⁸. In other words, expansionary policies generated “a massive claim on the future exploitation of labour” rather than exploitation of labour in the present¹⁵⁹. To resolve this problem, tight monetary policy would push the labour market towards corresponding to the needs of accumulation and profitability. According to Holloway, this takes place effectively through “the decomposition of the working class into a profitable labour force”¹⁶⁰. With Bonefeld, he maintains that Monetarism represented a “re-shaping or re-composition of the antagonism between labour and capital” which is a reoccurring development throughout the history of capitalism¹⁶¹. As a result, continued and smooth accumulation becomes the rule if the power of the working class is to be contained and fragmented which essentially means re-imposing and restructuring capital domination¹⁶².

Once in practice, monetarism and the deregulation of the world market opens the space for capital to accumulate freely which enables the state to “fragment working-class resistance” through allowing capital to fly freely in search for better investment environments¹⁶³. For the purpose of achieving economic recovery and growth, states deregulated the world market to

¹⁵⁷ *Ibid.* p. 37.

¹⁵⁸ *Ibid.* pp. 40-1.

¹⁵⁹ *Ibid.* p. 40.

¹⁶⁰ John Holloway, “The Abyss Opens: the Rise and Fall of Keynesianism”, p. 47.

¹⁶¹ Werner Bonefeld and John Holloway, “Conclusion: Money and Class Struggle”, in Werner Bonefeld and John Holloway, (eds.), *Global Capital, National State and the Politics of Money*, p. 211.

¹⁶² John Holloway, “The Great Bear: post-Fordism and class struggle. A comment on Bonefeld and Jessop”, in Werner Bonefeld and John Holloway, (eds.), *Post-Fordism and Social Form*, p. 100.

¹⁶³ *Ibid.* p. 129.

allow the transnationalisation of capital and started to reconstitute their institutional structures to enhance their competitiveness¹⁶⁴. States began adjusting their economies to the dynamics of an unregulated global economy in which capital is footloose. This changing role for states has turned them towards structuring their economic policies along competitiveness standards. Competitiveness has become the eventual goal of these policies necessitated by the changing structure and conditions of class relations.

However, Holloway argues that the shift to austerity policies achieved its purpose in effectively exploiting labour but only in the short-term where the decreasing rates of inflation were followed by the liberalisation of the financial system which brought the question of labour back up to the surface again. To tackle recession, governments shifted to deficit financing policy which “reintroduced an integration of labour on the basis of deficit financing of demand”¹⁶⁵. As a result, from 1982 on, the international financial system had started to become unstable which led monetarism to be dropped and replaced by a “policy of fiscal redistribution and credit expansion, containing labour through a renewed speculative deferral of overaccumulation and crisis”. Ironically, the failure to contain labour through a tight money policy led to reinstating the same policies that the New Right who advocated a free enterprise, such as those of the UK and the US, had protested against – the expansionary policies of the Keynesian state¹⁶⁶. The difference is that from the late 1980s it has become up to the central bank to decide the appropriate monetary and fiscal policies. This policy change essentially means the depoliticisation of the management of state-capital-labour relations as outlined above; it was seen as the only effective way of removing all obstructions affecting the flow of capital and its accumulation transnationally. This unregulated market brought about a synchronisation of

¹⁶⁴ Peter Burnham, “Capital, Crisis and the International State System”, p. 109.

¹⁶⁵ John Holloway, “The Abyss Opens: the Rise and Fall of Keynesianism”, p. 49.

¹⁶⁶ *Ibid.* p. 50.

crisis tendencies among states, which was evident in falling rates of profits, balance of payment difficulties and instability of the business cycle¹⁶⁷.

To sum up, since the late 1960s, there existed a gap between the rates of productive accumulation and monetary accumulation of capital where the latter surpassed the former. A temporary balance was struck when austerity policies were adopted in the 1980s but later was undermined by the liberalisation of financial banks that gave momentum to further speculation as opposed to the production of surplus value. However, Holloway stresses that monetary speculation was significant as it allowed “the avoidance of a direct relationship with the working class”, it “does not meet with the same resistance that capital encounters in the factory”¹⁶⁸. Thus, Fordism and post-Fordism should be understood as both patterns of capitalist social relations, patterns of class struggle; as “historically distinct forms of labour subordination and capital organisation”¹⁶⁹. Then, the debt crisis of 1980s, the crash of the financial system in 1987, the recession of the 1990s, and the financial crisis of 2008 should be all seen as crises of the “capitalist domination over labour”¹⁷⁰. Political regulation of the world market is a form of regulation that derives from the contradictions of the system rather than being representative of any class interests. Deregulation policies embedded within competitiveness standards, therefore, are centred on the disciplining of the labour market through imposing flexibility¹⁷¹. Hence, what appears as state restructuring along

¹⁶⁷ Werner Bonefeld, “Monetarism and Crisis”, p. 41.

¹⁶⁸ John Holloway, “The Abyss Opens: the Rise and Fall of Keynesianism”, p. 61.

¹⁶⁹ Werner Bonefeld, “The reformulation of State theory”, in Werner Bonefeld and John Holloway, (eds.), *Post-Fordism and Social Form*, p. 40.

¹⁷⁰ John Holloway, “The Abyss Opens: the Rise and Fall of Keynesianism”, p. 63. According to Marx, the system of capitalist production is characterized with three “cardinal facts”: 1) the concentration of the means of production in the hands of a few members of the society “whereby they cease to appear as the property of the immediate labourers and turn into social production capacities”; 2) the transformation of labour “into social labour”; 3) the establishment of world market. Karl Marx, *Capital: A critique of political economy, volume III* (London: Lawrence & Wishart, 1972[1894], Edited by Fredrick Engels), p. 266.

¹⁷¹ See Johannes Agnoli, “the Market, the State and the End of History”, in Werner Bonefeld and Psychopedis, Kosmas, (eds.), *The Politics of Change: Globalization, ideology and Critique* (New York: Palgrave, 2000), pp. 198-9.

competitiveness standards is in fact a restructuring of the relationship between the state, capital and labour - the disciplining of both capital and labour. It should be noted here that analysing the state as a moment or a political node in the capitalist relation of production is, in Holloway's words, "the only way in which the development of the state can be analysed as part of the overall development of the capitalist mode of production"¹⁷².

Having analysed the social and economic developments of the world economy beginning in the 1970s within an Open Marxist framework, it becomes clear that the rise of neoliberalism, at the expense of Keynesianism, reflects the rise of a new state method to manage the relationship between capital and labour at national and transnational levels. Intense competition and technological change made it hard for capital to accumulate given the lack of labour flexibility necessary for accumulation and profit. Thus, the rise of the competitiveness discourse should be analysed bearing in mind these facts. In the next section, we present an attempt at developing an initial Open Marxist account of the role of discourse in the management of capital-labour relations in a context of the global accumulation of capital. As outlined above, the neoliberal discourse that has accompanied the state restructuring process is as important as the policies adopted themselves. They represent sites where class struggle is conducted alongside the political and economic sites.

3.2. Open Marxism and the Puzzle of Discourse Analysis

¹⁷² John Holloway, "The state and Everyday struggle", in Simon Clark, (ed.), *The State Debate* (London, Palgrave Macmillan, 1991), p. 207.

There is no doubt that the WEF's discourse of competitiveness is designed for someone and for some purpose¹⁷³. A thorough reading of its Global Competitiveness Report (GCR), a task which we undertake in Chapter Six, strongly suggests that it deliberately attempts to convey a specific message to the states regarding the 'best way' for the management of their national economies in order to secure the interest of transnational capital. Particularly, the discourse of competitiveness, carried within the GCR, is intended to influence state policies in a certain manner, and explicitly warns against ignoring standards of competitiveness as it will make states uncompetitive in a context where competitiveness is defined as the rule of the game. Consequentially, states will fail to achieve higher economic growth, employment and living standards. Among other things, as I will discuss in Chapters Four and Five, the discourse presents standards of competitiveness as necessities imposed by the structure and conditions of the global economy in which competition is the main driving force for economic and social progress.

The central point here is that it is not unthinkable that the Forum's discourse of competitiveness can influence the state's social and economic policies to some extent given that the discourse constitutes a part of class struggle within and beyond state borders. However, the fact that many state participants in the WEF have started perceiving competitiveness as *the* rule of the game – *the* condition of survival, does by no means indicate a direct influence by the Forum's GCR. This is the argument made in Chapter Eight. Realising the price of being uncompetitive in the world economy, in terms of slow economic growth and high unemployment, is not precipitated by the Forum. That states adopt competitiveness standards when formulating national policy-making has to do mainly with the management of capital-labour relations within their

¹⁷³ Robert Cox, "Social forces, states, and world orders: beyond international relations theory", *Millennium: Journal of International Studies*, 10: 2 (1981), p. 128.

jurisdictions. The lack of competitiveness is, thus, perceived as a threat to preserving social order within the state.

Many critics of the WEF have argued that its discourse of competitiveness directs national policymaking and helps to manipulate the state to serve the interest of the TCC at the expense of its own citizens¹⁷⁴. Nevertheless, no systematic analysis has been conducted in order to properly account for how much influence the WEF's discourse of competitiveness has on the state restructuring process and national economic and social policy-making. There has been no account of how states view the Forum's discourse and how have they responded to it thus far. These issues are crucial to any account of the power of the WEF as one institutional materialisation of the TCC. Therefore, an investigation of the relationship between the TCC and the state through the discourse of competitiveness is vital to our understanding of its influence.

The argument that will be made later in this thesis is that the discourse of competitiveness produced by the WEF is not identical to the discourse implemented by the state through national economic and social policies. This is not to suggest, however, that there is no overlap between the two discourses. Rather, it is to point out that each state has its distinctive relationship to the global flow of capital based on different conditions of class struggle which dictates the form of the management of capital-labour relations within its jurisdictions. However, OM, one may argue, offers no appropriate tool to undertake such a task given its lack of engagement with the role of ideas. For this reason, in this section we will establish an account of the role of discourse in the production of the social relations of production through

¹⁷⁴ See Tore Fougner, "The State, International Competitiveness and Neoliberal Globalisation: Is There a Future Beyond 'the Competition State'?", *Review of International Studies*, 32: 1 (2006), pp. 165-185; Nikolas S. Rose, *Powers of Freedom: Reframing Political Thought* (Cambridge: Cambridge University Press, 1999).

standards of competitiveness. Such an account will enhance the explanatory power of OM and will be in line with its theoretical underpinnings.

3.2.1. An Open Marxist Approach to Discourse Analysis

OM is mostly silent on the role of discourse in the dynamics of the social relations of the capitalist society. This could be regarded as a weakness within OM given the importance of discourse as an integral form of class struggle¹⁷⁵. As stated by Williams, despite the great influence that Marxist historical thought has had on language, it requires only little effort to see that Marxism “has contributed very little to thinking about language itself”¹⁷⁶. Therefore, OM needs to have a say on where its theoretical premises and methodological underpinnings stand in relation to discourse. It has to define its position on how the role of discourse should be accounted for in the reproduction of capitalist social relations of production. An OM analysis of the rise of neoliberalism cannot be complete without an examination of the discourse through which neoliberal policies are conveyed and the language by which it is signified. The ideological domain should be recognised as constituting one part alongside the political and the economic in the reproduction of class antagonism through neoliberal politics. As we will see later, Marx provided an account, although not at length, of how ideas, discourse and language figure in the critique of the political economy of capitalism.

Having said that, two Open Marxist scholars have touched upon the role of discourse in understanding the dynamics of capitalism, although only briefly, Simon Clarke and Heide

¹⁷⁵ For a critique of open Marxism, see Andreas Bieler, Ian Bruff and Adam David Morton, “Acorns and Fruit: from Totalization to Periodization in the Critique of Capitalism”, *Capital and Class*, 34: 1 (2010), pp. 25-37.

¹⁷⁶ For every field of social study, Williams states, the separation of the language from the studied topic should be perceived in relation to the intention of the social analyst to do a “relational inquiry” within a “particular system of thought”. Marxism should concern itself with language because language has become emphasised as “activity” and its history has gained significant attention, Raymond Williams, *Marxism and Literature* (Oxford: Oxford University Press, 1977), p. 21.

Gerstenberher. In fact, Clarke makes a case against ascribing any importance to the role of discourse in any critical account of political economy. In his seminal book *The State Debate*, he rightly critiques Poulantzas for depicting the ideological and the political dimensions of class struggle as dominant over the economic dimension in analysing the dynamics of capitalist development and the state's forms and policies. Placing ideology and discourse in privileged positions, Clarke contends, would result in a "relativistic" and "irrational" argument that supports the views of the "new realists". Rather than allowing for an understanding of how these might first be shaped by material structures, he explains, it allows for the construction of "objectivity" on discursive structures rather than being shaped by material structures. Consequentially, the identity of actors and the social and political contexts within which they operate would appear as though they were formed through discourse only¹⁷⁷. As such, class struggle becomes "a particular form of struggle within and between discourses", he notes. Class struggle, then, turns into a discursive struggle, the dynamism of which allows continuous displacement of one discourse by another. For Clarke, posing struggle in such a manner means that it is "centred on consumption, rather than production, on individualism, rather than collectivism, on pluralism, rather than corporatism, and on democratic anti-statism, rather than socialist anti-capitalism"¹⁷⁸.

Clarke's argument is valid when presented as such. The emphasis certainly should not be placed on the political and ideological functions of the state, nor on the political and ideological dimensions of class struggle. Rather the ideological and the political constitute, alongside the economic, moments in capital accumulation; forms of social relations of production. On the other hand, Gerstenberher argues that the interests of classes are not constituted as an "outcome

¹⁷⁷ Simon Clarke, "The State Debate", in Simon Clarke (ed.), *The State Debate*, p. 19.

¹⁷⁸ *Ibid.*

of exploitative relations” between these classes but rather as an outcome of “the public discourse about these relations” as well¹⁷⁹. Namely, class relations are “never merely ‘economic’ relations, they are political and cultural relations as well”¹⁸⁰. This is a position we agree with to an extent in the sense that public discourse does not turn into *the* defining factor in the reproduction of class struggle.

Since the theoretical foundations of OM are rooted in Marx’s work¹⁸¹, this argument will be supported with a brief account of Marx’s engagement with discourse and the role of ideas in shaping class struggle in capitalist society. The question underlying our endeavour is: how does the production of ideas figure in the process of the reproduction of the material conditions of domination of the TCC and the struggle against it? But before that, we will quickly review approaches to discourse analysis in which discourse is viewed as predominant over other aspects of life in order to make sense of Clarke’s stand and draw the line between these approaches and our critical discourse analysis (CDA) approach.

3.2.2. Orthodox Approaches to Discourse Analysis: The Return to Marx

Most approaches to discourse analysis assign supremacy to the role of ideas over other aspects of social life. This will be shown through a brief review of three approaches to discourse analysis: The interpretive discourse analysis (IDA), the discourse historical approach (DHA) and the Discursive Intuitionism approach. IDA intends to explain what discourse is and what priorities it gives to what dimensions of social life. Its significance derives from realising the

¹⁷⁹ Heide Gerstenberher, “The Bourgeois State Form Revisited”, in Werner Bonefeld, Richard Gunn and Kosmas Psychopedis (eds.), *Open Marxism: Dialectics and History*, p. 152.

¹⁸⁰ *Ibid.* p. 135.

¹⁸¹ See Werner Bonefeld et al (eds.) *Open Marxism: Emancipating Marx Volume III* (London: Pluto Press, 1995); Werner Bonefeld, Richard Gunn and Kosmas Psychopedis (eds.) *Open Marxism: Dialectics and History, Volume I*; Werner Bonefeld, Richard Gunn and Kosmas Psychopedis (eds.) *Open Marxism: Theory and Practice Volume II* (London: Pluto Press, 1992).

value attached to social meanings of concepts and categories in public policy and the resulting social actions built upon them. In his review of approaches to discourse analysis, Fischer explains that, for IDA, the meanings of social practices are “not directly observable”, therefore these have to be examined through “reflection and interpretive analysis”¹⁸². This approach focuses on analysing “the expression of social meanings” based on actors’ values and beliefs. It seeks to comprehend the meaning of a social action by acquiring a social knowledge of the issue under investigation through interpretation. For IDA, events and actions must be understood “in relation to the subjective meanings, motives, or purposes” that prompted such actions or events in the first place¹⁸³.

Similarly, DHA places the emphasis on the role of ideas and its influence over the material foundations of social practices and actions. As noted by Fisher, it regards the problems faced in the political system as political discourse problems which have to do with “the manipulation of signs and symbols” by politicians and decision-makers as rational actors instead of viewing them in relation to the economic structure of society¹⁸⁴. It contends that political action “is shaped and controlled by the discourses that supply it with meaning”. Moreover, these discourses are presumably distanced and disconnected from the economic foundations of social formations and produced only in the realm of ideas¹⁸⁵. As noted by Fisher, for DHA, ideas “constitute the world as humans know it, understand it, and guide their actions”¹⁸⁶.

¹⁸² Frank Fischer, “Interpreting Public Policy: Normative Frames and Methodological Issues”, in Frank Fischer (ed.), *Reframing Public Policy: Discursive Politics and Deliberative Practices* (Oxford: Oxford university Press, 2003), p. 139.

¹⁸³ In particular, the focus should be on the actors holding the meaning, motive, and purpose, *Ibid.* pp. 141-2.

¹⁸⁴ For an explanation about DHA and other approaches of discourse analysis see Jason Glynos et al, “Discourse Analysis: Variations and Methods”, *ESRC National Centre for Research Methods*, NCRM: 014 (2009), pp. 1-41. For an argument against the positioning of the objective social factors (social structures; class, gender, etc.) over the subjective factors (social-psychological contexts of the actors involved) in demonstrating the influence of the social context on language and discourse, see also Ruth Wodak and Michael Meyer, “Critical Discourse Analysis: History, Agenda, Theory and Methodology”, in Ruth Wodak and Michael Meyer (eds.), *Methods of Critical Discourse Analysis* (London: Sage Publication Ltd, 2009).

¹⁸⁵ Frank Fischer, “Constructing Policy Theory: Ideas, Language, and Discourse” in Frank Fischer (ed.), *Reframing Public Policy*, p. 23.

¹⁸⁶ *Ibid.* p. 24.

For both DHA and IDA, political discursive interaction “reflects and reinforces an ideology, a subject, and a reality”. Consequently, it is ideas and concepts that provide social and material actions with meaning. Thus, their approach to discourse analysis seeks to show how actions, practices and objects become socially constructed. Actions acquire particular meaning depending on the political struggle between individuals in society, rather than class struggle¹⁸⁷. Hence, for both approaches, discourses form the ground on which “political struggle takes place”¹⁸⁸.

The arguments of both IDA and DHA are derived from their appraisal only of the role of ideas and actions taken in the political and ideological spheres. They both neglect the socio-economic context within which institutions exist and value only the individual, thereby isolating him or her from the social relations within which, and by which, his or her actions are shaped. These social relations may never be only material but they are never only ideational either. Ideas play a significant role within institutions but those institutions exist within a social material structure as well and their objectives are very often directed to influence or change that structure, a fact at which IDA and DHA turn their back. Struggle is not political or ideological without relation to the economic structure and social relations among its classes. Social meaning must be seen as conditioned and shaped by class struggle. What is called political struggle is a form of class struggle that manifests in the political sphere.

It is on the material production and conditions of exploitation that the power of the TCC is founded. Therefore, what we intend to tell here is a history that, to use Marx’s words, “does not explain practice from idea”, but one that “explains the formation of ideas from material

¹⁸⁷ Frank Fischer, “Public Policy and Discourse Analysis”, In Frank Fischer (ed.), *Reframing Public Policy*, p. 73.

¹⁸⁸ In this sense, discourses allow for the analysis of power relations and the social actions and practice that (re)produce them.

practice”¹⁸⁹. In the *German Ideology* Marx argued that only once a class becomes the “ruling material force” in the society, it turns into a “ruling intellectual force”. On such basis, one can argue that the TCC’s ideas are currently the “ruling ideas”, since they have control over the material means of production of social life, they gain “control at the same time over the means of mental production”¹⁹⁰.

As maintained by Marx, language and “thought” do not occupy “a realm of their own”, they are mere “manifestations of actual life”¹⁹¹. Thus, the WEF’s discourse of competitiveness can be seen as, to use Marx’s words, the “ideal expression of the dominant material relationship...of the relationships which make the one class the ruling one, therefore, the ideas of its dominance”¹⁹². But first to establish its intellectual domination, besides its material superiority, Marx argued that the ruling class has to “represent its interests as the common interest of all the members of society”, and, thus, its ideas as the common ideas of the society¹⁹³. As will be demonstrated in Chapters Five and Eight, this fact is quite true in the case of the WEF that seeks to present competitiveness standards as being in the interests of all states and their societies. It seeks to make them universal standards of practice. Therefore, the discourse which carries these ideas is of great relevance here. The ideas of the WEF have gained considerable universality through the prevalence and global scope of its discourse and language¹⁹⁴. Language for Marx is “practical consciousness”; a materialisation of conscious

¹⁸⁹ Karl Marx and Fredrick Engels, *The German Ideology*, p. 50.

¹⁹⁰ *Ibid.* p. 60, For more details about Marx’s discussion of philosophy and language see also pp. 491-2

¹⁹¹ *Ibid.*, pp. 492-6. Marx critiqued the discourse used by Saint Sancho especially his emphasis that words are the essence of history.

¹⁹² *Ibid.* p. 60.

¹⁹³ *Ibid.* p. 62.

¹⁹⁴ In his discussion of the validity of the comparison between money and language, Marx contended that language and ideas are not two separate things as prices and commodities. Rather, language and ideas run and work together. More specifically, language “does not transform ideas, so that the peculiarity of ideas is dissolved and their social character runs alongside them as a separate entity”, Karl Marx, *Grundrisse: Foundations of the Critique of Political Economy* (London: New Left Review, 1973), pp. 162-3.

class interests; a way to perform conscious social actions; and a channel through which class struggle is fought out¹⁹⁵.

In an account that attempts to benefit methodologically from Marx in developing a critical analysis of discourse as a part of the critique of capitalism, Fairclough and Graham argue that social life cannot be reduced to language, nor that language can be removed from “material existence”¹⁹⁶. Marx’s critique of capitalism, they note, was built on “an historical, materialist, critical understanding of language”. However, they stress that language as an element of discourse was not treated by Marx as “a separate or independent ‘thing’” but as one factor in the production of social life¹⁹⁷. Fairclough and Graham consider Marx’s political and economic writings as “engaging in a form of discourse analysis”. Their work focuses on the idea that the analysis of the capitalist system “is incomplete without a significant element of language critique”. That is, capitalism should not be seen only as an economic system in which production is centred on solid commodities but also as a system centred on the production of knowledge and information. These both should be seen as “inevitably” being “produced, exchanged and consumed” as a discourse. When diffused and operationalised, discourse serves to incorporate “different scales of economic activity”¹⁹⁸.

In this approach, Marx’s engagement with classical political economy is considered as an analysis and a critique of “the discourse of political economists”. The argument they advanced

¹⁹⁵ As Marx put it, language “is as old as consciousness”, it is “practical consciousness that exists also for other men”. Language “like consciousness, only arises from the need, the necessity, of intercourse with other men”. Marx asserts that wherever exists a “relationship” between men, language and consciousness both exist for him, Karl Marx and Fredrick Engels, *The German Ideology*, p. 42.

¹⁹⁶ What is more, they affirm that “Marx’s method includes elements” of the current CDA, Norman Fairclough and Phil Graham, “Marx as Critical Discourse Analyst: the genesis of a critical method and its relevance to the critique of global capital”, *Estudios de Sociolingüística*, 3: 1, (2002), pp. 187-8.

¹⁹⁷ V.N. Volosinov, *Marxism and the philosophy of language* (London: Seminar Press, 1973), p. 19, For a grammatical critique of Hegel by Marx and Engels see Karl Marx and Fredrick Engels, *The German Ideology*, pp.21-26.

¹⁹⁸ Norman Fairclough and Phil Graham, “Marx as Critical Discourse Analyst”, pp. 185-7.

is simply that Marx had built his work on critiquing the texts produced by classical political economists and the language they used. Marx's critique, Fairclough and Graham stress, represents a critique of the "failure in the discourse" of classical political economy; it attacks the inadequacy of understanding and theorising the social relations of production in the discourse of classical political economy¹⁹⁹. Therefore, there is a process of "recontextualisation and interdiscursive appropriation of existing (past) discourses" in Marx's work, they argue. It follows that discourses are developed and shaped along the development of the system of social relations of production²⁰⁰.

While many Marxists would argue that language and consciousness are categories which belong to the realm of ideas, Marx treated them as constitutive parts of the social "material processes" of production²⁰¹. Thus, from this reading of Marx, Fairclough and Graham build an approach in which language is viewed as "an element of the material social process which is dialectically interconnected with other elements". Hence, the production of our social life depends on more than material production. Social life is produced in economic and non-economic spheres; it is "based within the articulation together of diverse elements and aspects of sociality into relatively stable configurations". Language and discourse are essential parts of these configurations²⁰².

¹⁹⁹ From a critical discourse analytical perspective, Marx's critique of classical political economy is a "critique of the connectivity in its texts: semantic relationships between words, argumentative relationships between propositions, temporal relationships between processes, syntactic relationships between and within sentences, relationships between what is asserted and what is presupposed, etc.", *Ibid.* pp. 211-16.

²⁰⁰ See for example their explanation of his work "the eighteenth Brumaire of Louise Bonaparte", *Ibid.* p. 221

²⁰¹ It is in the German ideology that Fairclough and Graham believe Marx's character as a discourse analyst appeared first. They see the German Ideology as a critique of the "ideological conceptions of the relationship between language, consciousness, social life, and 'civil society' ". According to them, Marx saw language and consciousness as "aspects of the social production process which are inherently bound up in the totality and materiality of human experience", *Ibid.* pp. 199-200.

²⁰² *Ibid.* p. 187.

Similarly, from a neo-Gramscian perspective, Laclau and Mouffe assume that this articulation of different elements of social life is performed through discourse. Discourse should be taken to constitute “a moment in the *material* production and reproduction of social life” and, therefore, analysing “the social ‘work’ done in texts” serves as a “significant focus of a materialist social critique”²⁰³. In Fairclough and Graham’s view, discourse analysis in this way should be seen as an analysis of “the form and contradictions” of capitalism and “the forms of resistance and struggles for change which are developing in response to it”²⁰⁴. Therefore, it should be noted that the analysis and critique of language is an approach which examines language not “as an abstract system of signs” but as “a substance of changing material circumstances and practices”. Language should be conceived of as both “product, producer, and reproducer of social consciousness, which in turn is in a reciprocally causal relationship with the whole of the human experience”²⁰⁵.

Fairclough’s and Grahams’ critical discourse analysis (CDA) approach treats the structure, policies and activities which form the heart of neoliberalism as comprised of more than ideas or discourses, they treat them as being entrenched in a “material character”²⁰⁶. To put it differently, these are material realities that include neo-liberal ideas and discourse. In agreement with Fairclough and Graham, Volosinov affirms that the social relations of production determine the type of discourse used among social actors²⁰⁷. Language and

²⁰³ Although articulation for them is a hegemony achieved through hegemonic discourse in and through the cultural and linguistic domains, they are advocates of the Poulantzas idea of the autonomy of the political or the state from the economy. They oppose what they claim to be economic reductionism in orthodox and neo-Marxism currents. Articulation for them does not mean representation of interests defined economically but “the result of political construction and struggle”, Ernesto Laclau and Chantal Mouffe, *Hegemony and Socialist Strategy: Towards a Radical democratic politics* (London: Verso, 2001, 2nd Edition), p. 65, for a critique see Peter Ives, *Language and Hegemony in Gramsci* (London: Pluto Press, 2004) pp. 160-1.

²⁰⁴ Marx and Marxism and critical discourse analysis share the focus on the critique of capitalism, Norman Fairclough, *Critical Discourse Analysis: The Critical Study of Language* (London: Longman, 1995), p. 304.

²⁰⁵ *Ibid.* p. 316.

²⁰⁶ Isabela Fairclough and Norman Fairclough, *Political Discourse Analysis: Methods for Advanced Students* (London: Routledge, 2012), p. 82.

²⁰⁷ V.N. Volosinov, *Marxism and the philosophy of language* (London: Seminar Press, 1973), p. 11, p. 19.

discourse functions like ideological signs but they always have “some kind of material embodiment“, he affirms. Creating social meaning through discourse is a “practical material activity”²⁰⁸.

With every change that occurs in social life, CDA theorists believe that semiosis exist as part of the process of change. Social life, in this view, is mainly practices of all sorts (political, economic, cultural and so on) connected together; and each of these practices has “a semiotic element”. However, in line with Marx, Fairclough argues that what distinguishes all of these practices in their totality is that they are “practices of production” in the sense that “they are the arenas within which social life” in which all of its aspects is shaped²⁰⁹. Thus, discourse conveys “diverse representations of social life” based on the positions of the actors producing it in the capitalist society which determines their representation²¹⁰. For example, to be in the capitalist class or the working class has a great impact on the discourse produced, the discourse of the WEF is different from the discourse of the World Social Forum²¹¹. Thus, the social relations of producing realities “*are* partly discorsal in nature” and discourse “*is* partly social relations”²¹².

Discourse analysis in our case is mainly concerned with discourse as a means to control or, more correctly, direct the actions of others. That is to say discourse mainly functions to produce consensus among the actors whose actions are the targets of the discourse²¹³. As stated by Van

²⁰⁸ *Ibid.* p. 11.

²⁰⁹ He explains social practices as including the following elements; “productive activity, means of production, social relations, social identities, cultural values, consciousness, semiosis”, Norman Fairclough, “The Discourse of New Labour: Critical Discourse Analysis”, in Margret Wetherell, Stephanie Taylor, and Simon J. Yates (eds.), *Discourse as Data: A Guide for Analysis* (London: Sage publication Ltd, 2001), p. 234.

²¹⁰ *Ibid.*

²¹¹ Teun A. Van Dijk, “Discourse as Interaction in Society”, in Teun A. Van Dijk (ed.), *Discourse as Social Interaction 2* (London: Sage Publication Ltd, 1997), P. 11.

²¹² Norman Fairclough, *Analysing Discourse: Textual Analysis for Social Research*, (London: Routledge, 2003), p. 25.

²¹³ Teun A. Van Dijk, “Discourse as Interaction in Society”, pp.18-9.

Dijk, discourse works as “the medium by which ideologies are persuasively communicated in society” and thus, a medium for reproducing power and domination of one group over another²¹⁴. In each domain of social life ideology constructs “domain-related beliefs” that in turn shape the beliefs of certain group members who adopt this ideology. More specifically, members of groups acquire an ideology and reproduce it through “discourse comprehension, sharing, abstraction and generalization”²¹⁵.

Equally important here is to realise that any discourse signifies a “social plan” in practice. The discourse and the plan it bears are always “situational”. That is, it is embedded within a specific historical context. With every situation there is associated a particular ideology, and therefore, every discourse reflects the ideology characteristic of the historic-social situation to which it belongs²¹⁶. The type of discourse dominant in institutions like the WEF is established on the present reality with a claim upon the future. It is, to use Rossi-Landi’s words, an ideological “intra-historical” discourse as opposed to “extra historical” which is based on the past and conservative in nature. The intra-historical discourse of the WEF concerns itself with “*what is to be done*” [emphasis in original]²¹⁷. The language and discourse of the WEF change when the conditions of the world economy change²¹⁸.

Moreover, the importance of ideology in our research lies in the fact that, as explained by Mumby and Clair, discourses are central to the very existence of institutions. They are the “principal means by which organization members create a coherent social reality that frames

²¹⁴ *Ibid.* P. 25.

²¹⁵ *Ibid.* P. 31. For the perception of language as “ideologized as a product and ideologizing as an instrument”, see Ferruccio Rossi-landi, *Language as Work and Trade: a Semiotic Homology for Linguistics and Economics* (South Hadley, Mass: Bergin and Garvey, 1983), P. 95.

²¹⁶ *Ibid.* P. 95.

²¹⁷ *Ibid.* pp. 103-5.

²¹⁸ For more details about language as capital and commodity see Rossi-Landi, *Ibid.* pp. 46-52 and pp. 165-6.

their sense of who they are”²¹⁹. However, that is not to say that the process of creating social realities in organizations is a non-conflictual one. Realities and meanings are created and developed partly through discursive interactional process among the members of groups or organizations²²⁰.

All social institutions are viewed by Fairclough as “ideological-discursive formations”²²¹. They are formations produced, sustained, maintained and changed by struggle between different groups within them. Each formation has its own discourse which is embedded within its own ideology that is, in turn, signified by the discourse itself. Institutions as ideological-discursive formations shape the actions of their members and, thus, their interaction with members of other groups. What characterises such formations is their “capacity to ‘naturalise’ ideologies, i.e., to win acceptance for them as non-ideological ‘common sense’”²²², as neo-Gramscians would argue as well.

For CDA, the discursive practices set the rules of behaviour for actors; they also provide “standards of assessment” and thereby influence actors’ interpretations of the problems they encounter and limit the range of options available to solve them through legitimising some and de-legitimising others. This is evident in the WEF’s competitiveness that is presented to states and market actors as the only desirable option. It should be noted, however, that it is not

²¹⁹ Dennis K. Mumby and Robin P. Clair, “Organizational Discourse”, in Teun A. Van Dijk (ed.), *Discourse as Social Interaction* 2, p. 181, Ideology builds groups’ representations of their “criteria of membership”, practices and objectives, norms and values, “relative social position to other groups”, and the social resources they hold , Teun A. Van Dijk, “Discourse as Interaction in Society”, pp. 26-7.

²²⁰ Norman Fairclough, *Analysing Discourse*, p. 22. Also, CDA’s reliance upon social structure and the role they play in discourse and language formation has attracted critics from many discourse analysis schools, of particular importance is Discourse historical Approach (DHA), for more details see Jason Glynos et al, “Discourse Analysis: Variations and Methods”, p. 18

²²¹ Norman L. Fairclough, “Critical and Descriptive Discourse Analysis”, *Journal of Pragmatics*, 9 (1985) pp. 739-763.

²²² Here our position bears similarity to some extent with Gramsci’s ideas of common sense and hegemony but does not flow from it.

institutions who drive political change but “it is their discursive practices that shape the behaviours of actors who do”²²³.

Social institutions such as the WEF perform specific roles. They figure as a “pivot” between the “social formation” and “the particular social event or action”. However, Fairclough stresses that the relation between social formations, social institutions, and social actions or events is a two-way dialectical relation²²⁴. Hence, changes and actions are dialectically determined²²⁵. It follows from this point that social institutions simultaneously facilitate and constrain the actions of their members, but deciding what actions are facilitated and what actions are constrained depends on the changes in the nature of social struggle within which institutions exist. Fairclough believes that the struggle within institutions is a reflection of class struggle in general, and that, most importantly, “ideological and discursive control of institutions is itself at stake” in this struggle. Social institutions are ideological institutions within which the maintenance of domination of one ideology requires “discursive power” which in turn “exists alongside economic and political power”²²⁶. The dominance of one group’s ideology leads to seeing its norms not as ideological norms but more as institutional norms. As a result, a certain ideological representation of a certain reality emerges as a straightforward display of reality²²⁷.

²²³ Frank Fischer, “Constructing Policy Theory: Ideas, Language, and Discourse”, p. 28. From a socialist constructivist perspective, the creation of meaning is fundamental for turning preferences into actions because meaning creation helps catalysing support for particular action as well as immobilising counter-actions. Ideologies represent in significant part a basis upon which social meanings are constituted. Following from that, political discourses which are based on the creation of social meaning concerning an issue are discourses derived from ideologies, Frank Fischer, “Public Policy as Discursive Construct: Social Meaning and Multiple Realities”, pp. 56-8

²²⁴ Social formation is taken to mean a social, economic, and political system, the capitalist society is a representation of such formation. Here, social formation is considered as the “the highest level of social structuring” while Social events or actions are viewed as located at “the most concrete level” of social restructuring, Norman L. Fairclough, “Critical and Descriptive Discourse Analysis”, p. 747

²²⁵ *Ibid.*

²²⁶ *Ibid.* pp. 750-2

²²⁷ *Ibid.* p. 754

Discourse in institutions, for Schmidt, facilitates policy change. It serves to “overcome entrenched interests and institutional obstacles to change by altering perceptions of interest and showing the way to new institutional paths”²²⁸. In fact, this is mainly the case of the WEF’s discourse of competitiveness which is directed at facilitating a change in states’ policies²²⁹. Moreover, by looking at the way the UK has responded to the imperative of competitiveness, in Chapter Eight, we can see how adopting a discourse of competitiveness facilitated changes in social and economic policies long entrenched in the institutional structure of the country.

Now, how does discourse work in practice to trigger policy change? Schmidt answers the question using the following logic. There are two types of discourse that are formed in different ways and each of them plays a different role. The first is what she calls “communicative discourse” which takes place “in the political sphere”. It involves every actor attempting to present, deliberate, and legitimise ideas to the general public. However, the communicative discourse gets communicated to the general public only after having been developed and agreed on in the institution producing it. When it is still being formed, Schmidt calls this discourse “coordinative discourse”²³⁰. The totality of the two discourses Schmidt calls “discursive institutionalism”; this describes the operationalisation of discourse within an institution and beyond to their target outside of the institution itself²³¹.

²²⁸ Vivien Schmidt, “Does Discourse matter in the Politics of Welfare State Adjustment?” *Comparative Political Studies*, 35: 2 (2002), pp. 169-70.

²²⁹ *Ibid.* 190

²³⁰ Schmidt defines coordinative discourse as consisting of actors involved in “policy construction”; the making, explanation, and justification of a policy and the idea behind it. Communicative discourse, on the other hand, includes “other political actors as well, including members of opposition parties, the media, pundits, community leaders, social activists, public intellectuals, experts, think-tanks, organized interests, and social movements”. These parties of the communicative discourse “communicate their responses to government policies, engendering debate, deliberation, and ideally, modification of the policies under discussion”. It is also accompanied by the response of the general public, Vivien Schmidt, “Discursive Institutionalism: the Explanatory Power of Ideas and Discourse”, *Annual Review of Political Science*, 11 (2008), p. 310.

²³¹ Schmidt puts forward the claim that “simple polities” such as the UK and New Zealand have stronger communicative discourse than “compound polities” such as Germany and the Netherlands which have stronger coordinative discourse, *Ibid.* p. 312.

Actors use discourses to deliver a message to specific audiences about a specific state of affairs and try to view a certain course of action as legitimate through the inclusion of legitimate values in its discourse. For example, economic growth is advanced by the WEF as a goal to be achieved through applying competitiveness standards, and then states tend to recognise it and accept it as legitimate because economic growth is publicly recognised as legitimate value. The discourse of the WEF carries certain representations of the group's belief of how particular events or problems should be comprehended and dealt with, or what social practices are necessary to better serve the group's interests. Hence, the discourse of the WEF is ideologically controlled whereby its discourse-informed events and practices reproduce its ideology²³².

In analysing the discourse of competitiveness as a form of managing capital-labour relations by the state, we mainly rely here on the version of CDA introduced by Fairclough in light of Schmidt's discursive institutionalism. For Isabela and Norman Fairclough, discourse is built on "practical argumentation" which takes the form of a chain of "circumstantial premises" that represent "the context of action" and "goal premises" that once turned into "reality" it becomes "the context of action" of another action. Argumentation and deliberation employ "particular representations (descriptions, narratives, explanations)" of an issue and these representations intend to shape actions and their outcomes in specific ways²³³.

This methodology we believe will help us explain how the discourse of competitiveness works in relation to state policies. Therefore, to empirically analyse political discourse we should focus on the analysis of the "practical argumentation" characteristic of the text that is being

²³² Important for our research here is to understand that what ideologies do not do, however, is that they "do not immediately tell each social member how to act in each situation"; they, more generally, "serve groups to develop shared, general and mutually coherent representations for large domains or major problems of social and cultural life, Teun A. Van Dijk, "Discourse as Interaction in Society", p. 27.

²³³ Isabela Fairclough and Norman Fairclough, *Political Discourse Analysis*, pp. 3-6.

analysed. This will include an analysis of the representations of reality in the text and incorporation of the latter into an analysis of the practical argumentation aspect of the text²³⁴.

To this end, we employ Norman and Isabel Fairclough's discourse analysis framework which is conducted in the following order: An analysis of the circumstantial premises, goal premises, value premises and a claim for action. Then we need to look at the text as containing practical reasoning or deliberation to examine the indication of alternative proposals suggested by the actor and how they are evaluated in comparison to others. Also, we will consider the means specified in order to achieve the goals. One more point should be kept in mind throughout our analysis. It is that discourses of the WEF and the concepts they employ should be understood within their historical context: they are not fixed but conditioned upon the dynamics of class struggle²³⁵. More specifically, we see this as being derived from the dynamism of the system of social relations of production based on the changing conditions and nature of class struggle.

Conclusion

In this chapter I have presented an Open Marxist account of the socio-economic developments of the global economy that have precipitated the transformation in the mode and form of the management of capital-labour relations at the transnational level. These developments have manifested in the shift from a Keynesian structure of the state to one that is predicated on a monetary structure in late 1970s and early 1980s. Moreover, I have argued that such a

²³⁴ This is mainly because "ways of representing the world enter as premises into reasoning about what should we do", *Ibid.* pp. 86-7.

²³⁵ However, I do not agree with them that nowadays in society there are more differences than similarities among social actors. However, I agree with their argument that every discourse has scale and time limitations and, thus, policy change is fixed only partially and temporarily due to the "surplus of meaning of 'the social'" in our society which makes it difficult for any discourse to permanently articulate social practices "as moments of a stable articulatory structure", Ernesto Laclau and Chantal Mouffe, *Hegemony and Socialist Strategy*, pp. 50-2 and pp. 71-2.

transformation of the form of state management of the national economy was made necessary by the changing conditions of class struggle at that time. Economic recession, high unemployment rates, and fiscal crisis accompanied with public spending laid huge pressure on capital's ability to reproduce itself at the global market. Therefore, the rise of neoliberalism was based on the state's inability to create profitable conditions for capital given its struggle to contain labour within capital's limits. The power of trade unions acquired during the golden age of rapid economic growth and high employment had to be minimised in order to sustain global accumulation of capital, which the state attempts to immobilise within its borders through offering an attractive business environment. Thus, market freedom and natural rates of employment took precedence over state intervention.

Moreover, these and later developments, I have argued, will only be fully comprehended when we take into consideration the role of the discourse associated with them. That is, the rise of neoliberal policies, associated with the Monetarist doctrine, should be also analysed through the discourse that signify its ideas. Discourse is one form of class struggle alongside the political and the economic. Discourse is not to be viewed as dominant over the political and economic forms of class struggle. However, it is a moment that exists simultaneously with the political and economic moments; it is *one* element in the re/production of the capitalist social relations of production and its underlying class antagonistic relations. The point is, in order to adequately assess the power that the WEF, as a representative of the TCC, on the state, we need to be able to evaluate the influence its competitiveness discourse has on the state. In order to do that, we need to account for the role of discourse in the form of the state's management of capital-labour relations. For this purpose, I have made a preliminary attempt at developing an Open Marxist approach to discourse analysis based on a brief discussion of Marx's treatment of discourse. The framework adopted above will add to OM's explanatory power in such a way that it will cement its theoretical bedrock against other theories.

In the next chapter, we will turn to providing a historical and Open Marxist analysis of the WEF as one site of the TCC. By looking at its structure, role and relationship with the state and other actors, we will offer a comprehensive empirical case study of one of the most influential global policy groups that in theory represents an important manifestation of the existence of the TCC.

Chapter Four

The World Economic Forum: An Agent of the TCC Par Excellence

In the previous chapter it was shown how and why OM could enhance its explanatory power through a critical engagement with the role of ideas in analysing the role of the state in the reproduction of class antagonism and the capitalist social relations of production. More specifically, it was argued that class struggle manifests itself in discursal-ideological form alongside the political and economic forms as established within OM thus far (which of course are never free from discursive-ideological struggle). However it was maintained that assuming a discursal form, class struggle needs not to be viewed as being determined by ideas and the

discourses that uphold them. Rather, class struggle as a driving force for the development of capitalism is reproduced via the articulation of material and non-material social processes – discourse, then, is an element of the reproduction of social life. It is an element that is interconnected with other material elements. As such, class struggle is not reduced to a struggle between discourses as Clarke would argue. Discourses figure as a moment in the reproduction of class struggle.

Thus, the analysis of the rise of neoliberalism will become more comprehensive when the role of the discourse that is carrying the neoliberal ideas is taken into consideration. Neoliberalism, as a mode of containing labour within the limits of capital, rose when the Keynesian mode of managing the relationship between the working class and the capitalist class had reached its limits in the 1970s. Intensified struggle between the capitalists and the labourers led to capital being unable to reproduce itself, thus requiring an intervention from the state to maintain capital's continued accumulation. Neoliberalism and its competitiveness invention are essentially a new form of managing capital-labour relations by the state, a new mode through which the global circuit of capital is maintained.

This chapter shows how the TCC attempts to project its power through ideas and discourses alongside material power that essentially forms the heart of its discursive power. It will focus on the WEF as an active and influential global policy group representative of the TCC. It embodies one among other policy groups of the TCC as outlined in Chapter Two: nevertheless, as this thesis demonstrates, a particularly important one. Specifically, the WEF signifies a case where Sklair's, Robinson's and Carroll's perception of the TCC materialises in its most explicit way. The Forum's transnational class composition, its engagement with state officials, professionals, ideologues and the media make it an interesting case study. Moreover, it constitutes an adequate target for analysis given its role in the making of the current discourse of competitiveness prevailing in today's global governance and national policymaking as a

means for managing states' national economies. Most states have engaged with the discourse of competitiveness and, arguably, the majority of them have started to conduct their economic management along its standards. Competitiveness has become the *modus operandi* of national and transnational policymaking. This I will discuss in Chapter Eight of this thesis.

The academic literature on the WEF as a global policy group is practically threadbare. Thus far, the Forum has attracted little interest from academia, making the findings of this study particularly important and timely. TCC scholars have referred to the topic only in a cursory manner. Inevitably then, the Forum has stayed as a focus for media reports, which have barely gone beyond the Forum's most celebrated event – the Davos Annual Meeting. On the other hand, other global policy groups such as the ICC, ERT has enjoyed more sustained academic analysis²³⁶. There is certainly much to study and learn about the WEF: its organisational structure, global representation of members and participants, the global scope of its activities, and most interestingly its wide-ranged publications originating from being an expertise community with regard to global governance.

The questions we attempt to answer in our chapter are the following: what is the significance of the structure of the Forum as a global policy group of the TCC? What is its agenda and role in contemporary global governance? What is the relationship of the Forum to the dominant discourse of globalization? How the state figures in this context and what role does it perform?

Section one of this chapter is concerned with providing a brief overview of the course of

²³⁶ Examples of prominent works on other policy groups are: Bastiaan Van Apeldoorn, "Transnational Class Agency and European Governance: The Case of the European Round Table of Industrialists", *New Political Economy*, 5:2 (2000), pp. 157-181; Michael Nollert and Nicola Fielder, "Lobbying for a Europe of big business: the European Roundtable of Industrialists", in Volker Bornschier (ed.), *State-Building in Europe: The Revitalization of Western European Integration*, (Cambridge: Cambridge University Press, 2000). On the ICC see: Volker Schneider, "Global Economic Governance by Private Actors: The International Chamber of Commerce" in J. Greenwood and H. Jacek (eds.), *Organized Business and the New Global Order* (New York: St Martin's, 2000), Dominic Kelly, "The International Chamber of Commerce", *New Political Economy*, 10: 2 (2005), pp. 259-71; Brian Hocking and Dominic Kelly, "Doing the business? The International Chamber of Commerce, the United Nations, and the Global Compact", in Andrew Cooper, John English and Ramesh Thakur (eds.), *Enhancing Global Governance: Towards a New Diplomacy?* (New York: United Nations University Press, 2002).

development of the WEF by looking at the major steps taken by the Forum since its launch. The focus here is on how the WEF has developed from being only an annual meeting of European business leaders at Davos into a global organisation holding, additionally, regional meetings, running many activities and managing and cooperating with various communities throughout the year. The second section seeks to shed light on the Forum as a discursive formation as well as being a business organisation. An important manifestation of the influence of the WEF today derives from its engagement with disseminating knowledge worldwide through the multiple channels it has created. The final section will touch briefly upon the Forum's discourse on the role of the state in an age of neoliberal globalisation. Such an account will help us set the foundation for the coming chapters which engages with the adoption of competitiveness as a mode of national management of capital-labour relations.

4.1. Overview of the Forum: TCC Characteristics

Celebrating the 25th anniversary of the *Centre D'études Industrielles* (CEL) in Geneva in 1971, Klaus Schwab, who was then a Harvard graduate and a member of CEL, convened the European Management Symposium under the supervision of the Swiss government. It brought together European business leaders to discuss the challenges facing European companies at home and in the global market. After the conference Schwab received a legal authorisation from the Swiss government to organise the conference on a yearly-basis. In 1972, the symposium was turned to a Forum, the European Management Forum (EMF) with an original endowment of approximately 28,000 US dollars provided by its attendants²³⁷.

²³⁷ Jean-Christophe Graz, "How powerful are Transnational Elite Clubs? The Social Myth of the World Economic Forum", *New Political Economy*, 8: 3 (2003), p. 329. The first two meetings were attended by 450 and 300 CEOs of major companies, respectively, see Klaus Schwab, "The Predictions of Davos-Man", *The Economist*, November 21, 2010, http://www.economist.com/blogs/theworldin2011/2010/11/predictions_davos-man_klaus_schwab (accessed December 1, 2011).

According to Schwab, the EMF began as “a two-week management course” to teach American management techniques to European businesses²³⁸. These techniques were based on establishing a “greater distance between management on the one hand and government and labor on the other” in order to maintain a level of flexibility and dynamism necessary for improving their positions against competitors²³⁹. In this sense, the EMF should be essentially viewed as an endeavour by European businesses to obtain a leading role “independent of the traditional nation-state level European tripartite government-management-labour relationship” that was entrenched in Europe’s economic policymaking in the aftermath of WWII. In doing so, European businesses would be able to project themselves as powerful actors at the European and global levels²⁴⁰. From the start, the European question of competitiveness was one that is rooted in containing labour within the limits of capital the absence of which was seen to hold them back on the global market. European governments were under pressure to redefine their relationship to both capital and labour along the American style characterised with flexible management and efficient labour market regulations.

At its inception, the Forum defined itself as “an independent, self-financing, not-for-profit Foundation, aligned with the strategic needs of the top decision-makers of European business”²⁴¹. The official document published by the Swiss government then determined the objective of the foundation as aiming “to promote events that serve a closer cooperation of the international, and in particular the European industry” and oriented to identifying “role models

²³⁸ Klaus Schwab, Interview with Simon Hobbs, CNBC Business, the CNBC Europe Programme: The Leaders, March 2008, <http://www.cnbcmagazine.com/story/klaus-schwab/378/> (accessed November 21, 2011).

²³⁹ Geoffrey Allen Pigman, *The World Economic Forum: A Multi-Stakeholder Approach to Global Governance* (New York: Routledge, 2007), p. 93.

²⁴⁰ Geoffrey Allen Pigman, “Shar-pei or Wolf in Sheep’s Clothing? The World Economic Forum from Le Défi American to the Bill-Bill Summit”, *Paper presented to the International Studies Association 2001 Annual Conference*, 21 February 2001, See also Klaus Schwab, “Klaus Schwab: Man at The Summit”, Interview with Pranay Gupte, Pranay Gupte Blog , 2011, <http://pranaygupte.blogspot.com/2008/01/klaus-schwab-man-at-summit.html> (accessed 10 November 2011).

²⁴¹ EMF, “Institutional Brochure”, 1975, quoted in WEF, *The World Economic Forum: A Partner in Shaping History*, (Cologny: World Economic Forum, 2009), p. 21.

and concepts for responsible and successful management”. For this objective, the Forum commenced management programmes in research, training and education on a European level²⁴². Thus, it should be noted that rather than being only a personal project of Schwab’s, who has been the Forum’s president since it was founded and who has therefore attracted endless criticism, such a decision conveyed more of a European response to economic challenges of the time, mainly the challenge of global competitiveness. Hence, the Forum sought to facilitate the restructuring of their businesses in order to effectively respond to new developments in the European and global markets, which was manifest essentially in the increasing competitiveness of non-European companies.

Explaining the decision of turning the Symposium into a yearly event, Graz believes that the CEI realised that in order to be successful, the event had to offer something “beyond the dissemination of the latest management techniques of the USA throughout the European entrepreneurial culture”. Therefore, the CEL’s strategic decision was to create a “loose and informal framework of strategic business planning”²⁴³. As “a European think-tank”, the WEF was committed to get to “grips with what Jean-Jacques Servan-Schreiber had called 'Le Defi Americain' - the perception that US companies were taking over the world” the embodiment of which materialised in the penetration of the European market by American capital, its financial market in particular. This fact confirms with Gill’s and Van der Pijl’s arguments with regards to the formation of the Atlantic Ruling class influenced by the expansion of American businesses into Europe²⁴⁴. The establishment of the Forum, therefore, was triggered by a

²⁴² Hans-Peter Tschudi, Federal Councillor, Head of the Department of the Interior 1959-1973, quoted in WEF, *A Partner in Shaping History*, p. 6. See also Kirsten Lundberg, “Convener or Player? The World Economic Forum and Davos”, *Kennedy School of Government: Case Program*, 2004, p. 4.

²⁴³ Jean-Christophe Graz, “How Powerful are Transnational Elite Clubs?” p. 330.

²⁴⁴ William Keegan, “Seeing the World from Davos”, *The Guardian*, January 28, 2007, <http://www.theguardian.com/business/2007/jan/28/worldeconomicforum.davos2007> (accessed March 13, 2012). This penetration of American capital into Europe can be ascribed to the concentration and centralization of capital. As Poulantzas explains, the number of American bank branches established in Europe rose to 52 in 1967. He believes that the increasing American investments in Europe is due to the concentration and centralisation of capital where most of these investment originated from “the most concentrated branches and sectors in the United

growing concentration and centralization of capital in Europe and the US. The latter's penetration into Europe took advantage of uncompetitive European businesses and, as Mandel puts it, was perceived as an extension of American power into Europe²⁴⁵.

The WEF became a membership organisation in 1976 with a strict policy of "exclusivity" put in place for the sake of enhancing its image as a 'quality organization'. That is, its recruitment strategy became based on integrating only pioneering companies distinguished by their growth rate, innovation and dynamism²⁴⁶. According to the Forum, a member company "is a global enterprise with more than 5 billion US\$ in turnover". Members are described by the Forum as "influential", "talented", "powerful", "innovative", "inspiring", and "committed to making the world a better place"²⁴⁷. When the Forum's members reached a thousand in 1994, the decision was taken not to exceed this number and the focus shifted instead to refining "the quality of membership" and its "regional and industrial diversity"²⁴⁸. At this stage, the Forum has formed its corporate core, TNCs that constitutes the driving force of the TCC project in maintaining its hegemony.

As noted by Garelli, a former Managing Director of the WEF, the strategy of enforcing quality, exclusivity and attendance by invitation has been inspired by the conviction that "the success

States" and were directed into industries with "a high degree of concentration, and they thereby contribute to accelerating the pace of concentration". Nicos Poulantzas, *Classes in Contemporary Capitalism*, p. 52-3.

²⁴⁵ Ernest Mandel, *late capitalism*, p. 326.

²⁴⁶ The companies involved in these meetings and activities are those that dominate the world economy; 'the Forum continued to be selective, inviting only the CEOs of major companies', WEF, *A Partner in Shaping History*, pp. 13, 41.

²⁴⁷ WEF, Members, <http://www.weforum.org/members> (accessed December 13, 2011). WEF, "The World Economic Forum: Entrepreneurship in the Global Public Interest," *Promotional Brochure*, (2005). In its 2004-2005 annual report, the Forum describes the quality of its members as follows: 60 percent of its members are global companies with an annual turnover of 4 billion, 30 percent are companies that dominate their region although smaller in turnover than the first group, and last 10 percent is occupied by companies that have contributed to their market innovatively like Google, WEF, *Annual Report 2004/2005* (Cologne: World Economic Forum, 2005), p. 21.

²⁴⁸ WEF, *A Partner in Shaping History*, p. 121, If the expansion of the forum to Asia, to China and India in particular, means anything, it represents a recognition from the Western capitalist states of the increasing power of this region. It, moreover, signifies the transnationality of the WEF and the extending core of the TCC to an expanding Triad region as discussed earlier in Gill's and Van der Pijl's account of the TC.

of Davos will depend on the quality of the audience more than the quality of the program”²⁴⁹. The type of membership and participation within the Forum has enabled the latter to have a “de facto position of power” and provided it with “the capacity to bring about change in society at large”, Graz maintains²⁵⁰. Hence the Forum has a unique characteristic and originality compared to other organizations of the same kind. For Lundberg, Schwab’s invention was to realise a “need no one thought existed”. That is, the need for an “informal, top-level and confidential” platform for dialogue among world political, business and civil society leaders²⁵¹. There are a number of layers and roles to the WEF’s participant. In addition to its foundation members, the Forum has established partnerships with “some of the world’s leading corporate citizens” that provide vital “leadership in support of the Forum’s mission”: financially, intellectually, and organizationally. That is, besides its foundation members, the Forum has strategic partners, industry partners, technology pioneer partners as well as fast-growth partners. These partners lead the activities, initiatives, and projects of the Forum. Moreover, they provide “intellectual guidance” through their advisory roles²⁵². As for the strategic partners, given their support to the Forum, they are “granted the opportunity to have a much more direct say in planning the agendas of Forum summits, initiatives and other events”²⁵³. On the other hand, industry partners include companies that “are actively involved in the Forum’s mission at the industry level”. Their importance for the Forum rests on the fact that they

²⁴⁹ Stéphane Garelli, quoted in Kirsten Lundberg, “Convener or Player?” p. 7.

²⁵⁰ Jean-Christophe Graz, “How Powerful are Transnational Elite Clubs?” p. 326.

²⁵¹ Kirsten Lundberg, “Convener or Player?”, p. 1

²⁵² WEF, “Strategic Partners”, <http://www.weforum.org/strategic-partners> (Accessed May 28, 2011).

²⁵³ For instance, a CEO of a strategic partner company can decide to join a Forum mission to a certain country and demand the inclusion of particular topics to be discussed with actors of interest to him in this specific country. These partners also participate with Forum’s staff in planning the Davos annual meeting and also the regional summits, Geoffrey Allen Pigman, *A Multi-Stakeholder Approach to Global governance*, p. 26. The Forum’s regional Summits are: the World Economic Forum on East Asia, the World Economic Forum on Africa, the World Economic Forum on Europe, the Middle East, North Africa and Central Asia, and the World Economic Forum on Latin America. Its regional and country meetings reached 17 meetings a year. Industry-based activities: energy, construction, food and agriculture, financial services, communication, information technologies, etc.,

represent an indispensable source of information and advice on challenges facing industries²⁵⁴.

In this way, Carroll's interlocking corporate directorships took place at the WEF, which turned the latter into an active business community.

Besides its members and partners, the Forum interacts with world governments and other groups described by the Forum as "participants" and "communities" whose participation in Forum activities is determined by either being a beneficiary of the Forum's activities or by being able to influence the objectives and the strategic interests of its members²⁵⁵. Overall, this multiple and functional network of communities and actors makes the Forum, in Klaus Schwab's words, a "big cocktail party" that serves as an "intellectual as well as a social cocktail"²⁵⁶.

According to Pigman, the Forum's engagement with invited politicians and civil society leaders is derived from its strategic objective of establishing the foundations of the global business environment through "diplomatic interactions"²⁵⁷. The variety of actors included and involved in the Forum's activities represents, Pigman contends, its deliberate attempt to achieve "global legitimacy"²⁵⁸. Such comprehensive but, at the same time, exclusive nature of the Forum in terms of membership and participation, makes it anything but difficult to depict the Forum other than as an "elite: the elite of politics, business, NGOs, thinkers, personalities and Nobel

²⁵⁴ WEF, "Industry Partner Groups", World Economic Forum, <http://www.weforum.org/industry-partner-groups> (accessed December 15, 2011). WEF, "Strategic Partners", World Economic Forum, <http://www.weforum.org/strategic-partners> (Accessed May 28, 2011). WEF, "Entrepreneurship in the Global Public Interest".

²⁵⁵ Geoffrey Allen Pigman, *A Multi-Stakeholder Approach to Global governance*, p. 17. These invited guests are chosen by the Forum's staff for each meeting "based on the topics to be discussed and who is likely to make the most useful contributions to the discussions" *Ibid.* p. 45.

²⁵⁶ Klaus Schwab, "I, Klaus", *Weird Magazine*, 7: 12 (1999), p. 2.

²⁵⁷ Geoffrey Allen Pigman, *A Multi-Stakeholder Approach to Global governance*, p. 54. For a critical view see David Smith, and William Lewis, "Corporate Big Shots Swagger at Davos", *The Sunday Times*, January 30, 2005, <http://www.thesundaytimes.co.uk/sto/business/article129589.ece> (accessed on January 11, 2012).

²⁵⁸ Geoffrey Allen Pigman, *A Multi-Stakeholder Approach to Global governance*. p. 72.

prizewinners”²⁵⁹. However, this self-proclaimed exclusivity has been undermined throughout the years as a result of continuous expansion of the Forum’s participants and communities, which attracted criticism from both within and outside the Forum as will be discussed later.

Indeed, the continuing expansion of its activities and communities has been a major hallmark of the Forum’s history. As it was essentially established to respond to the challenges and difficulties faced by European businesses, the core of the Forum’s annual meeting agenda, its membership and activities have been influenced by global socio-economic and political developments from 1971 up until now. That is, the Forum has developed to become concerned with more than the competitiveness of the European industry. Today, it is engaged in constant attempts to open up new social, economic, political and environmental areas for discussion, debate, and development through collective participation, cooperation and innovation. Most importantly, it seeks to set up new rules and formulate economic reform policies that respond to changing global economic conditions. Furthermore, it integrates many actors from all over the world as stakeholders in the management of the global economy. This includes states, trade unions, civil society organisations, media figures, and so forth. The Forum’s objective, then, has shifted to maintaining the global competitiveness of companies as well as states.

In 1975, the Forum made its first global move by inviting the Mexican Minister of Commerce and industry to participate in its annual meeting against the background of the economic difficulties in Mexico in early 1970s. In the same year, the Forum launched a cooperation programme with the United Nations Industrial Development Organisation (UNIDO) in order to create opportunities for investment projects between developing countries and Davos’s members and participants²⁶⁰. It then established the Arab-European Business Cooperation

²⁵⁹ Mike Moore, *A World without Walls: Freedom, Development, Free Trade and Global Governance* (Cambridge: Cambridge University Press, 2003), p. 223,

²⁶⁰ WEF, *A Partner in Shaping History*, pp. 21-24.

Symposium in 1976 and the Latin American-European Business Cooperation Symposium in 1977. In 1979, it invited China to its Davos annual meeting and created the China-Europe Business Leaders Symposium in 1981. After that, it incorporated India in 1984, followed by Japan a year later²⁶¹.

Moreover, in the first decade of its life, The Forum organized business visits to several countries in Europe. This was eventually developed into country-Forums with the aim of bringing together the business community of Davos with the political and economic leaders of these countries. As illustrated by Lundberg, these meetings generally involved domestic and transnational companies, government and political leaders, academics and trade unionists²⁶². In 1982 the Forum began holding what it called the Informal Gathering of World Economic Leaders (IGWEL) as a flexible platform for business and government leaders to exchange ideas and opinions on world political and economic challenges. The IGWEL is represented by heads of governments and their ministers of economy, trade, finance, technology and so on²⁶³. Its informal nature helped in increasing the number of politicians attending its meetings every year. In 1985, the Forum's Industry Partnership was launched and developed to the Industry Partnership Programme in 2004. Then, the Forum initiated a plan to incorporate the most innovative and dynamic small and medium size enterprises in its membership and activities, which led in 2007 to the creation of Global Growth Companies (GGC). Besides, the Forum created the Forum Fellows community that include academics, media figures, artists and scientists²⁶⁴.

²⁶¹ Regional business councils such as the India Advisory Council and the Arab Business Council seek to help regional businesses "reach their full potential, as a means of integrating them into the global economy", WEF, "Entrepreneurship in the Global Public Interest".

²⁶² Kirsten Lundberg, "Convener or Player?" pp. 10-11.

²⁶³ WEF, *A Partner in Shaping History*, p. 43.

²⁶⁴ Klaus Schwab, "I, Klaus", p. 3.

Considering this ongoing expansion, which has made the Forum more a global than a European organisation, and the fact that it has become concerned with economic policy in general rather than only management techniques, the EMF changed its name to the WEF in 1987. Today, the WEF is defined as “an independent international organization committed to improving the state of the world”²⁶⁵. Changing the name, as stated by the Forum, was “timely and necessary” so as to reflect its increasing globality²⁶⁶. It meant that, according to Graz, “the core organisational and commercial basis” of the WEF ended its reliance on “management experts paid to offer their knowledge to business leaders”. From 1987 onward, the WEF’s members started paying annual fees in return for being provided with the chance to network and exchange worldviews with other members and participants. It is in this context, Graz contends, that the Forum “has increasingly mingled management scholars with consulting professionals, columnists, high profile CEOs and political leaders”²⁶⁷.

This concentration and centralization of knowledge and expertise at the Forum, accrued by virtue of the involvement of several actors, has served to establish further communities in turn. For example, the Forum created the Forum of Young Global Leaders in 1992 that is composed of people who hold influential positions in their professions²⁶⁸. It also founded the Community of Technology Pioneers which encompasses small companies that have impact upon the development of their industry through technological innovation²⁶⁹. In the environmental field, the Forum initiated the “Green Globe 21”, an initiative that both benchmarks and provides certification for the travel and tourism industry. Also, the Forum started the publication of the Environmental Sustainability Index that measures the ecological responsibility of 100

²⁶⁵ WEF, “The World Economic Forum Leadership Team”, World Economic Forum, <http://www.weforum.org/content/leadership-team> (Accessed on 28/05/2011)

²⁶⁶ WEF, *A Partner in Shaping History*, p. 85, For Schwab, changing the name was one of the most significant achievements for the Forum. Klaus Schwab, “Message to our members”, in WEF (ed.), *Annual Report 1994-1995*, quoted in WEF, *A Partner in Shaping History*, p. 127.

²⁶⁷ Jean-Christophe Graz, “How Powerful are Transnational Elite Clubs?” p. 330.

²⁶⁸ WEF, *A Partner in Shaping History*, p. 113.

²⁶⁹ *Ibid.* p. 175.

countries²⁷⁰. Moreover, it set up the International Business Council in 2002 which acts as its advisory council and contributes to the formulation of the annual meeting agenda²⁷¹. More importantly, in probably one of the most significant expressions of its accumulated knowledge, the Forum began producing its renown Global Competitiveness Report (GCR) besides other reports such as the Global Governance Report, the Transition Report, and the Digital Readiness Report. The publication of these report, then, is significant in that it represents one channel throughout which the power of the ideas of the WEF can be projected into and distributed within business and government circles. The Forum's competitiveness discourse would probably have had little impact had it been left behind the doors, so to speak, at Davos. The publication of the GCR represents an active manner in which the discourse is communicated to the world outside the WEF. Here it has initially been coordinated through interaction with various stakeholders. This we will discuss in more detail in Chapters Six and Eight.

What is more, in appreciation of the role of the USA in the global economy, the World Economic Forum USA was created in 2006 to be the headquarter for the Global Industries centre of the Forum that is responsible for framing and implementing the Industry Partnership Programme²⁷². Another strategic move in the same year, which also reflects the increasing economic role of China, was the launch of the World Economic Forum China. In 2008, The Global Agenda Councils was constituted as the intellectual boost for the Forum's activities. In addition, the Forum today sponsors numerous initiatives that involve various actors and which have different objectives, examples of which are: the Global Corporate Citizenship Initiative, the Corporate Performance Initiative and several others²⁷³. In what follows we will engage with

²⁷⁰ *Ibid.* p. 173.

²⁷¹ The International Business Council are constituted of 100 leading CEOs tasked with identifying "pressing corporate issues – from governance to free trade", WEF, "Entrepreneurship in the Global Public Interest".

²⁷² WEF, *A Partner in Shaping History*, p. 217.

²⁷³ Other initiatives of the WEF are: Corporate Initiative on Diseases of Poverty, Business and NGO Informal Dialogue, The Future of the Multilateral Trade System, Digital Readiness Report, Transition Report, Environmental Sustainability Index, Global Climate Change and the Automobile, Changing Corporate

the existing literature on the WEF in order to show how its developments, structure and role have been perceived thus far.

According to Pigman, the main objective behind such strategic shifts in the structure of the WEF is to create suitable platforms for all types of stakeholders of the global economy to interact. Eventually, meanwhile, it “increases the value of their contribution to the overall multi-stakeholder dialogue” which underpins the Forum’s ostensible mission to improve the state of the world. He argues that in light of it being a host for this wealth of activities, communities and initiatives should be understood in light of the Forum being an “ideas-generating platform”²⁷⁴. They all facilitate the operationalization of those ideas. The Forum’s discourse on competitiveness in particular, therefore, should be perceived accordingly. This fact is facilitated by three main characteristics, he explains. First, they all “involve public-private partnerships”; second, they all “embrace a multi-stakeholder approach to achieving their goal”; and third, they all “involve the Forum in some sort of a catalytic or enabling role”²⁷⁵. This multiple-activity nature of the Forum provides its members and participants with “multiple chances to renew personal relationships, to exchange ideas, and to forge an ongoing association with the Forum”²⁷⁶.

Generally speaking, the variety of issues and activities that the Forum engages with has, according to Van der Pijl, turned it into becoming “the most comprehensive transnational planning body operative today”²⁷⁷. However, although being involved with the WEF yields many advantages to members and participants, Graz argues that the huge size and enormous activities of the Forum induce the “risk of defection of participants disappointed by the

Governance in Russia, Balkan Task Force, Middle East Strategy Group, Digital Divide Task Force, and Global Governance Report, *Ibid.* 183.

²⁷⁴ Geoffrey Allen Pigman, *A Multi-Stakeholder Approach to Global governance*, p. 31.

²⁷⁵ *Ibid.* p. 31.

²⁷⁶ Kirsten Lundberg, “Convener or Player?” p. 10.

²⁷⁷ Kees Van der Pijl, *Transnational Classes and International Relations* (London: Routledge, 1998), p. 133.

atmosphere of a besieged and overcrowded fortress”²⁷⁸. Similarly, Pigman points out that some of its members have criticized the Forum for “trying to run too many panels altogether, with quantity often substituting for quality and fewer opportunities for the informal networking”²⁷⁹.

Perhaps such criticism is most relevant to the Forum’s Davos annual meeting than anything else. As outlined above, At the beginning, Davos was considered by the Forum as ‘not enough’ to achieve its mission. Now, Davos is seen by its members and participants as well as the media as the most important activity of the Forum. It is a platform, I would suggest, that is most representative of the WEF as part of the TCC. Davos, in the Forum’s words, is the place where “participants can recharge their intellectual batteries, take the ‘global pulse’ in all fields, and create the basis for real leadership”²⁸⁰. Reflecting this multi-stakeholder dogma, which we will be discussed in the next section, the Forum portrays its annual meeting as follows: “of the 2,000 participants at an Annual Meeting, one in 100 will be a head of state, one in 30 will be from an NGO, one in 15 will be an academic and one in 10 will be an editor from media”²⁸¹.

This meeting has expanded in reach and scope to the extent that the Forum now uses the concept of “the internationalization of the Annual meeting” to describe its distinctiveness²⁸². As stated by Dhruv Sawhney, Managing Director of Triveni Engineering when introducing Schwab at the 2005 India Economic Summit, Schwab created “a United Nations of business, political and other global leaders of civil society”²⁸³. The annual meeting receives the lion’s

²⁷⁸ Jean-Christophe Graz, “How Powerful are Transnational Elite Clubs?” pp. 332-3, see also Martin Sorrell, “Davos is the Supreme Networking Experience”, *Financial times*, January 29, 2011, <http://blogs.ft.com/the-world/2011/01/davos-is-the-supreme-networking-experience/> (accessed March 18, 2012).

²⁷⁹ Geoffrey Allen Pigman, *A Multi-Stakeholder Approach to Global governance*, p. 135. Bob Barbour, Director of Belfast’s Centre for Competitiveness notes that Davos “has lost its way, who is who? Davos comes Davos goes, what’s the difference?” Bob Barbour, Interview with the Author, Belfast, February 11, 2014.

²⁸⁰ WEF, *Annual Report 1993*, quoted in WEF, *A Partner in Shaping History*, p. 117.

²⁸¹ WEF, “Entrepreneurship in the Global Public Interest”.

²⁸² WEF, *A Partner in Shaping History*, p. 83.

²⁸³ Dhruv Sawhney, quoted in Geoffrey Allen Pigman, *A Multi-Stakeholder Approach to Global governance*, p. 138.

share of the Forum's resources and effort given that it forms the most strategic platform for raising its publicity and, thus, its influence. Its significance derives from being a stage for enhancing the "take-home value" for its participants through intensive and extensive "update sessions" on the current global and regional issues and developments²⁸⁴. Moreover, for Lundberg, the importance of Davos originates from its ability to offer all stakeholders the chance to: make "contacts at the highest level" with business and political leaders, gain awareness of new trends in various fields, and engage in creative and diverse programmes²⁸⁵. Through Davos, "a shared sense of discourse – or common cognitive map – not just among attendees, but the rest of the global elite" is created²⁸⁶. Davos is a place where new trends are set out by "trend-setters"²⁸⁷. More specifically, Graz argues that the annual meeting is a stage where all participants are eager to improve "their influence on some policy process"²⁸⁸. Davos for Schwab is an "attention-getting business"²⁸⁹. For its critics, it represents, "the convention of the global party of capital...the investors' protection Party"²⁹⁰.

Davos is not everything that the Forum has to offer, but it is, as noted by Graz, "the World Economic Forum for a week every winter"²⁹¹. In addition to its annual meeting, the Forum runs regional and country-based meetings. The regional meetings are intended for strengthening the relationship between Davos's participants and regional business actors²⁹². Country-based meetings like the India Economic Summit are designed to pool together business leaders and

²⁸⁴ WEF, *A Partner in Shaping History*, p. 147.

²⁸⁵ Kirsten Lundberg, "Convener or Player?" p. 13.

²⁸⁶ Gillian Tett, "A social network", *Financial times*, January 28, 2011, <http://www.ft.com/cms/s/2/f496d482-2976-11e0-bb9b-00144feab49a.html>, (accessed January 18, 2012)

²⁸⁷ Thomas Friedman, "Foreign Affairs; Revolt of the Wannabes", *The New York Times*, 7 February 1996, <http://www.nytimes.com/1996/02/07/opinion/foreign-affairs-revolt-of-the-wannabes.html>, (accessed April 24, 2012).

²⁸⁸ Jean-Christophe Graz, "How Powerful are Transnational Elite Clubs?" p. 328.

²⁸⁹ Klaus Schwab, "I, Klaus", p. 1.

²⁹⁰ William F. Fisher and Thomas Ponniah, *Another world is possible: popular alternatives to globalization at the World Social Forum* (London: Zed Books LTD, 2003), p. 83.

²⁹¹ Jean-Christophe Graz, "How Powerful are Transnational Elite Clubs?" p. 327.

²⁹² *Ibid.* p. 331.

their stakeholders in the country²⁹³. Moreover, the Forum's industry-related activities are intended to bring together "the best minds and most important decision-makers worldwide in a specific field"²⁹⁴. This would include key decision-makers, politicians, clients, suppliers and experts in a given industry. According to Beder, the aim of the multiple meetings policy of the Forum is to "network, hold private discussions, share information and ideas, foster alliances and plan strategies for achieving common corporate goals"²⁹⁵. In contrast, for Schwab, it seeks to "launch and to test new ideas and finally to stimulate a consensus on priorities"²⁹⁶.

From all of the above, one can see how the WEF truly embodies all the components of the TCC as outlined in Chapter Two. Its TCC nature is evident, first and foremost, in its self-depiction as an organisation that brings together business, political, academic and other leaders of society in order to "shape global, regional and industry agendas"; an organization that is "tied to no [...] national interests"²⁹⁷. The TCC's main components, as discussed by Sklair and Robinson, are present at the Forum's organisational, political and intellectual domains. The world's major TNCs, its one thousand members, form the heart and the active agency of the WEF; the governmental representation at Davos and other meeting and activities constitutes its globalising politicians; its economic expertise communities whether businesses or economists make up its globalising professionals; and the heavy presence of media and other civil society communities form its elite of consumerists.

²⁹³ Klaus Schwab, "Summary of the Annual Report 1989", quoted in WEF, (ed.), *A Partner in Shaping History*, p. 85.

²⁹⁴ *Ibid.*

²⁹⁵ Sharon Beder, *Suiting themselves: How Corporations Drive the Global Agenda* (London: Earthscan, 2006), p.1.

²⁹⁶ Klaus Schwab, "Interview: Klaus Schwab of the World Economic Forum", *The Newsweek*, January 1st, 1998, <http://www.pranaygupte.com/article.php?index=24>, (accessed March 16, 2012).

²⁹⁷ WEF, "The World Economic Forum Leadership Team", <http://www.weforum.org/content/leadership-team>. (Accessed on 28/05/2011).

However, it should be noted that representation of members and participants of the Forum is still centred in advanced western economies, which confirms Carroll's argument of the Western-Limits of the TCC outlined in Chapter Two. For example, the Global Agenda Councils established in 2009 are structured as follows: First, in terms of their stakeholder representation: 32% business actors, 32% academia, 15% NGO, 9% international organization, 7% government, 3% for non-business actors and 2% media. Second, in terms of regional representation: 35% from North America, 31% from Europe, 20% from Asia, 6% from sub-Saharan Africa, 4% from Latin America, and 4% from Middle East/North Africa²⁹⁸. This has to do with the fact that capital, even though it has accumulated in every region of the world, is concentrated and centralised in transnational companies of western origin, and indeed in the western region of the world more generally. They principally represent the active agents of the Forum. When it comes to governmental representation, meanwhile, this is also explained by the fact that states are not identical in terms of their relation to global capital, they are differentiated in terms of their role in the management of class struggle and the social relations of production, which define the level of the accumulation of capital within their jurisdiction. Now that we have seen how the WEF evolved from its somewhat provincial and inauspicious beginning in the 1970's to an important part of the TCC, the next section of this chapter seeks to map out the underlying philosophy that informs the Forum's organisational structure and that determines its level of interaction with its non-corporate communities and participants.

4.2. The WEF as a Discursive Formation: A Multi-Stakeholder Governance Platform

²⁹⁸ WEF, *A Partner in Shaping History*, p. 252.

According to Lundberg, in order to create an efficient and effective professional business platform, Schwab created a Forum “to offer business executives the opportunity to speak directly to those who influenced their world”²⁹⁹. This mission was commenced as early as the 1974 Forum’s annual meeting with the invitation of European government leaders. As the Forum developed, the stakeholders’ list grew to include environmental activists, media leaders, trade unionists, scientists, artists and civil society organizations. Schwab’s aim was to turn the Forum into a “broker as well as host a neutral party [by] assembling those who”, in his view, “ought to know one another”³⁰⁰.

In essence, the WEF was founded on a multi-stakeholder approach to business management. Its core idea is that, in order to be successful and profitable, a company has to take into consideration serving the needs of all of its stakeholders³⁰¹. In today’s organisational structure, the WEF is quite conducive to such an objective where its meetings and activities have one common purpose: “to allow top managers of corporations to interact with all their stakeholders”³⁰². Schwab’s idea was based on the stakeholder theory that he developed throughout his academic life. It considers the company as “a community, with a number of social groups connected directly or indirectly”: to it and upon them its profitability is predicated. This includes the state and all other groups that affect, and are affected by, the company. Schwab explains the idea further by stating that: “each individual is embedded in societal communities in which the common good can only be promoted through the interaction of all participants – and business success is also embedded in this interaction”. Hence, the main

²⁹⁹ Kirsten Lundberg, “Convener or Player?” p. 6.

³⁰⁰ *Ibid.* p. 9.

³⁰¹ WEF, *A Partner in Shaping History*, p. 7. An integral element of the Davos manifesto is the idea that the enterprise management-improving task of the WEF is to be achieved through guaranteeing the “long-term existence of the enterprise” which cannot be attained without ensuring “sufficient profitability”, Rosemarie Fiedler-Winter, “Code of Ethics - the Davos Manifesto” published in “Die Moral der Manager”, 1977, quoted in WEF, *A Partner in Shaping History*, p. 16.

³⁰² *Ibid.* p. 8.

idea of Davos and the wider Forum's communities was to create a stage that is meant to serve this purpose – to enable all actors to develop and prosper as new focus of a successful business management³⁰³.

For Schwab, business leaders have to respond to the “economic, ecological and social demands” of the society. He points out that a stakeholder theory is adopted at the Forum in order to affirm that businesses “cannot command as they please” and that they are “liable not only to one but to various stakeholders”. Therefore, success in the long-term is conditioned upon “trust of all the relevant interest groups”³⁰⁴. As illustrated by Pigman, Schwab's approach is built on the belief that although stakeholders are different entities, “they may all have a stake in a particular issue or situation specific to their location or focus”³⁰⁵. Initially, Schwab believed that by adopting a multi-stakeholder approach, European businesses would be more able to enhance their competitiveness through improving their efficiency, a model that is at the core of US-style of management³⁰⁶. With the expansion of the Forum, this principle serves its global members and participants, although of course to varying degrees.

A multi-stakeholder approach to global governance has become perceived as a systemic prerequisite fundamental for improving the competitiveness of global businesses and the preservation of capital accumulation, which is the driving force for economic and social development. The Forum's key motto, “entrepreneurship in the global public interest”, is based on the belief that “economic progress without social development is not sustainable, while

³⁰³ Klaus Schwab, “A Breakdown in Our Values”, *The Guardian*, Wednesday 6 January, 2010, <http://www.theguardian.com/commentisfree/2010/jan/06/bankers-bonuses-crisis-social-risk> (accessed March 19, 2012).

³⁰⁴ Klaus Schwab, “Sind Wirtschaftsführer noch vertrauenswürdig?” editorial, *World Economic Forum Newsletter*, September 2002, quoted in WEF, (ed.), *WEF: A Partner in Shaping History*, p. 192.

³⁰⁵ Geoffrey Allen Pigman, *The World Economic Forum: A Multi-Stakeholder Approach to Global governance* (New York: Routledge, 2007), p. 10.

³⁰⁶ Geoffrey Allen Pigman, Interview with Klaus Schwab, May 2005, quoted in Geoffrey Allen Pigman, (ed.), *A Multi-Stakeholder Approach to Global governance*, p. 9.

social development without economic progress is not feasible”³⁰⁷. Thus, the Forum’s role, Schwab and Smadja, the Forum’s former General Director, argue, is to “facilitate dialogue and discussion among all of the major stakeholders of the world economy [...] to advance issues from ‘just talk’ to real solutions”³⁰⁸. This fact has made the Forum “different from anything that came before it”³⁰⁹. In its code of ethics, the Forum introduces itself as “the foremost global multi-stakeholder organization”³¹⁰ that seeks to cater for the interests of all stakeholders³¹¹. Bridging various interests of society defines the heart of the Forum’s mission, argues Schwab³¹². Yet, the main stakeholder prevalent in the Forum’s discourse and activities is political decision makers. This fact has made the Forum a political organisation of global governance³¹³.

The multi-stakeholder approach of the Forum facilitates the generation, exchange and dissemination of ideas and the creation, coordination and communication of discourses. It also provides the channels for their operationalization. Through the annual and regional meetings it holds and the numerous initiatives it undertakes, the Forum represents a social space where ideas, perspectives, and agendas are shared and discussed, where some are supported and others

³⁰⁷ WEF, “Entrepreneurship in the Global Public Interest”.

³⁰⁸ Klaus Schwab and Smadja, Claude, “The Work That Matters in Davos Will Be Going On Indoors”, *The New York Times*, January 23, 2001, <http://www.nytimes.com/2001/01/23/opinion/23iht-edklaus.t.html> (Accessed April 26, 2012).

³⁰⁹ Geoffrey Allen Pigman, *A Multi-Stakeholder Approach to Global governance*, p. 1. As Director of LSE Enterprise, the Forum’s partner Institute in the UK, Adam Austerfield puts it, the Forum’s “roots is in development, not in business”, Adam Austerfield, Interview with The Author, London, February 17, 2014.

³¹⁰ *Ibid.* p. 257

³¹¹ Rosemarie Fiedler-Winter, “Code of Ethics - the Davos Manifesto”. On a national level, Time Page, a senior policy officer at the TUC UK, believes that “the idea of a stakeholder” is a feature of a successful economy. “A successful economy is one which balances the needs of different stakeholders rather than thinking the owner or the shareholder is more powerful”, he adds. Stakeholderism “is good for the employees but ultimately is good for the company”. Time Page, Interview with The Author, Trade Union Congress, London, January 19, 2014. For a broader account on the rise of multi-stakeholder approach, see also Gavin Kelly, Dominic Kelly and Andrew Gamble, *Stakeholder Capitalism* (Basingstoke: Macmillan Press LTD, 1997).

³¹² Klaus Schwab, “Message to our members”.

³¹³ See Geoffrey Allen Pigman, “A Multifunctional Case Study for Teaching International Political Economy: The World Economic Forum as Shar-pei or Wolf in Sheep's Clothing?” *International Studies Perspectives*, Volume 3, Number 3: 19 (2002).

are reconstructed³¹⁴. The WEF's is an agent in the "development of major public discourses" and in the formulation of global political, economic and social practices³¹⁵. While it has similar features with other global policy groups, he notes, the Forum's differs from them in being "a knowledge institution" and in that its story is one "of the power of words, ideas and discourse"³¹⁶. More importantly, he also correctly argues that the power held by its members and participants have provided the Forum with "a shaping influence", through the discursive formation process resulting from the interactions of all those involved, on the "linguistic and ideational terrain upon which social forces and political and economic actors must operate"³¹⁷. That is, the multi-stakeholder approach entrenched in every practice and activity of the Forum creates a kind of discursive effect which leads to reconstituting the members' and participant's identities, interests, and actions according to the norms and values dominant in the Forum. This fact have become most obvious in the neoliberal discourse of competitiveness, which is influenced significantly by the WEF as will demonstrated below in Chapter Eight.

In terms of the Forum's public image, meanwhile, we see that there are two contrasting narratives regarding the role of the WEF in a changing global society and that each of them has a plausible foundation. The first narrative portrays the Forum as an organization that embraces multiple participants and ideas and directs its corporate members to see themselves and their activities best served when they operate to uphold an "entrepreneurship in the global public interests". On the other hand, the second narrative depicts the Forum as "a cabal of wealthy elites" from private and public sectors that meet to shape the contours of the global economy

³¹⁴ Geoffrey Allen Pigman, *A Multi-Stakeholder Approach to Global governance*, pp. 1-2 and pp. 49-51.

³¹⁵ *Ibid.* p. 92.

³¹⁶ *Ibid.* pp. 1-2.

³¹⁷ *Ibid.* pp.92-3.

in a way that is intended to serve the interests of TNCs and governments of industrialized states “at the expense of consumers, the environment, the poor, and local or non-global culture”³¹⁸.

It is true, it is argued, that during the first two decades of its life, the WEF was concerned mainly with advancing the interests of its member companies. These interests were, and still are, associated with public policies that are conducive to their profit maximisation in an integrated global production system and global market. He points out that the critics’ image of the WEF’s neoliberal discourse is that it leads only to framing macro- and microeconomic policies, putting in place favourable regulatory framework and free market economic principles in the way that the WEF wishes³¹⁹. In this view, the annual meeting of the Forum, the regional and country-based meetings, its roundtables and task force discussions are all intended to serve as “venues in which ideas and policies designed to benefit large firms and governments are legitimated and consecrated”. In this sense, “the Forum’s public information face” represents merely an attempt by its founders to ascribe legitimacy to its mission while utilising its activities as venues for business deals³²⁰.

The legitimacy of the Forum, for Graz, is related not to its discourse or practices as much as it is related to the outside perception of the influence of the Forum which makes it hard “for it to pretend to a legitimate role in the shaping of world-wide issues in the future”³²¹. That is, although the Forum has always tried to emphasise the human, social, environmental aspects of development, which helps giving corporate-led globalization a “human face”³²², the Forum saw

³¹⁸ *Ibid.* p. 3, The World Economic Forum is the place where “the captains of the corporate world meet annually at Davos to discuss the fate of the world, since they are the people who ‘determine’ the future of humanity”, Jai Sen and Mayuri Saini, *Talking New Politics: Are Other Worlds Possible?* (New Delhi: Zubaan, 2005), p. 74.

³¹⁹ Geoffrey Allen Pigman, *A Multi-Stakeholder Approach to Global Governance*, p. 94.

³²⁰ *Ibid.* p. 3.

³²¹ Jean-Christophe Graz, “How Powerful are Transnational Elite Clubs?” p. 322. For more information about the impact of the TCC formation on democracy see Sharon Beder, *Suiting themselves*.

³²² Mark Rupert, “Class Powers and the Politics of Global Governance”, in Michael Barnett and Raymond Duvall (eds.), *Power in Global Governance* (Cambridge: Cambridge University Press, 2005), p. 227.

economic growth only as the way to enforce all of these aspects. It is conceived as the precondition for achieving other objectives in different fields since “market-based solutions” are “central to how the WEF seeks to guide partnering in that direction”³²³. In this view, the Forum has sought to “recast the legitimating narratives of capitalist globalization” and to safeguard companies under the title “entrepreneurship in the public interest” –while in reality the Forum stands as “Mecca of hyper-liberalism; the capital of globalization”³²⁴.

In contrast to Graz’s argument, as I argue in this thesis the legitimacy of the Forum also derives from the power of its discourses, whether on competitiveness, growth, environment, gender or financial security. As Fougner rightly states, there is a great potential for the members and participants of the WEF to bring about the materialization of the “WEF’s governance discourse” in the form of “governmental practice”³²⁵. This has become more evident today than ever in the embeddedness of its discourse of competitiveness within national policy-making. However, that is not to say that the discourse of competitiveness adopted at the national level is a mere materialisation of only the WEF’s discourse. Rather, it is to suggest that governmental practices have indeed become informed by its discourse on competitiveness to some extent.

Moreover, although many, such as Carroll, affirm that the activities undertaken by the WEF serve mainly the interests of its TNC members, which differentiates it as “the most paradigmatic example of neoliberal structuralism”³²⁶, Pigman argues that the Forum’s members have become, relatively, more concerned not only with maximizing business profit but also with embracing policies that “would shape the nature of the global marketplace in

³²³ Tore Fougner, “Corporate Power in World politics: the Case of the World Economic Forum”, *The Journal of International Trade and diplomacy*, 2: 2 (2008), p. 124.

³²⁴ Ignacio Ramonet, *Geopolitics of Chaos: internationalization, Cyberculture & Political Chaos* (New York: Algora Publishing, 1998), pp. 59-60.

³²⁵ Tore Fougner, “Corporate Power in World politics, p. 105. The WEF has a ‘Key role in the formulation and practice of world domination by capital’, José Corrêa Leite, and Carolina Gil, *The World Social Forum: Strategies of Resistance* (Chicago: Haymarket Books, 2005), p. 77.

³²⁶ William K. Carroll, *The Making of A Transnational Capitalist Class*, p. 43.

various ways that both benefited the firms and created public, social benefits as well”³²⁷. For him, the Forum debates that globalisation discourse rather than defines it³²⁸. He believes that the discursive interaction informed by the multi-stakeholder approach has affected both the members and the participants of the Forum. That is, during the 1990s and 2000s the Forum has changed in a way that reflects more commitment to social alongside economic development³²⁹. For example, the idea of globalization the Forum had promoted since its start has been redefined and restructured at the beginning of the 2000s in order “to re-legitimate it for the many for whom it had lost credibility”³³⁰. The fact that that Forum included its critics such as trade unionists and environmentalist as stakeholders is seen to have triggered such a shift, their participation has led to a change in the public information output of the Forum³³¹. The various social, environmental and cultural initiatives of the Forum reflects to some extent Pigman’s conviction.

Looking at the overall picture, evidence maybe yields support to the arguments of both its critics and adherents. But Pigman concludes that what is certain about the Forum is that its multi-stakeholder approach is “one of the central forces challenging the notion of markets and firms ruling untrammelled over other social forces and interests”³³². Pigman is not alone in his view. Graz agrees and contends that the Forum and other global policy groups could serve as a “useful milieu” for everyone who is concerned with amending capitalism along sustainable and cosmopolitan lines³³³. It is a platform where the concerns of everyone are incorporated. As noted by Faux, Davos is “not the place for secret conspiracies”. On the contrary, it is “the most

³²⁷ Geoffrey Allen Pigman, *A Multi-Stakeholder Approach to Global governance*, p. 94.

³²⁸ Geoffrey Allen Pigman, “Shar-pei or Wolf in Sheep’s Clothing?”

³²⁹ Geoffrey Allen Pigman, *A Multi-Stakeholder Approach to Global governance*, p. 4.

³³⁰ *Ibid.* p. 96.

³³¹ Geoffrey Allen Pigman, “Shar-pei or Wolf in Sheep’s Clothing?”

³³² Geoffrey Allen Pigman, *A Multi-Stakeholder Approach to Global governance*, p. 152.

³³³ Jean-Christophe Graz, “How Powerful are Transnational Elite Clubs?” p. 337.

visible symbol of the virtual political network that governs the global market in the absence of a world government”³³⁴.

Perhaps, one should always remember that that the WEF is by definition a private organisation that, first and foremost, pursues the interests of its members. Thus, public-private partnership should be seen as a manifestation of the Forum’s conviction that these interests are better served when taken alongside those of other stakeholders. From that, the argument that the discourses and practices of the WEF have overwhelmingly helped in shaping globalisation along a neoliberal doctrine has little, if any, originality. To a great extent, the version of globalization advanced by the Forum represents the prevailing project of the TCC which, according to Robinson, has been built on “twin dimensions”. The first is market liberalization and the constitution of “a new legal and regulatory superstructure for the global economy”. The second is the integration of national economies to global market through policies of internal restructuring³³⁵. Both dimensions, argues Robinson, would help creating “the overall conditions for the profitable renewal of capital accumulation through new globalized circuits”³³⁶. However, as argued earlier, the renewal of capital accumulation at the global level is a precondition for existence of capital at the national level. In order for the state to manage capital-labour relations nationally and to sustain the national circuit of capital and maintain its efficient labour market, it needs to intervene in the maintenance of capital accumulation on the global market since the state only exists as a moment in its circuit. As I argue throughout the

³³⁴ Jeff Faux, “The Party of Davos”, *The Nation Magazine*, 13 February 2006, <http://www.thenation.com/article/party-davos> (Accessed May 21, 2012).

³³⁵ Robinson holds that the reorganization of the national economies, through privatization, deregulation and re-regulation, and its incorporation “as component elements” of the global production and financial system represents “a shift from international market integration to global productive integration”; a shift from world economy built on linked national economies to a ‘global economy’ in which capitalism is organized globally, William I. Robinson, “Global Capitalism Theory and the Emergence of Transnational Elites, p. 78.

³³⁶ *Ibid*

thesis, it is in the second dimension that I am interested in since it corresponds with the aims of the Forum's discourse of competitiveness.

Regarding the first dimension, the Forum treats this as no secret. That is, the Forum itself celebrates being a platform that facilitated the negotiations leading to the creation of the WTO in 1995 and the initiation of the Doha round at its 2004 Annual meeting³³⁷. Through its initiatives³³⁸, the Forum has succeeded in "aligning the interests of its member firms" with those of some international organizations like the WTO. The agricultural task force which was an initiative undertaken by the Forum in collaboration with the WTO in 2003 is a case in point. It aimed at overcoming the obstacles for the liberalization of trade in agriculture as a condition to achieve economic development in developing countries. This task force was constituted of many Forum members who operate mainly in developing countries and has interests in the liberalization of the agricultural sector³³⁹. Based on that, Van der Pijl is right to argue that the concept of control prevailing in the Forum is "solidly neo-liberal"; focused on competitiveness and eliminating whatever blockages hindering capital from full accumulation³⁴⁰.

³³⁷ The importance of the WEF in pushing forward the discourse of globalization and its practices is made clear by the Indian prime minister Manmohan Singh opening address at the 2009 annual meeting when he said: "if one day history of India's globalization and liberalisation will be written, you (Klaus Schwab) will figure in the most prominent way in this history book", Singh, Manmohan, quoted in WEF (ed.), *WEF: A Partner in Shaping History*, p. 53. Moreover, in the forum's 2004 Annual Meeting, 20 trade ministers undertook the initiative to revitalize the Doha Development Agenda of global trade negotiations. Moreover, trade ministers gathering at Davos has become an annual event, WEF, *A Partner in Shaping History*, p. 207. For a claim in having a role in the negotiation process that led to the creation of the WTO see, p. 50. For a brief account on the relationship between the Forum and the reinforcement of international competition rules through the GATT system see the contribution made by Sir Leon Brittan the vice president of the Commission of the European Community, WEF, "A Framework for International Competition", In WEF (ed.), *The World Competitiveness Report 1992*, pp. 248-50.

³³⁸ Some of the initiatives are: The Disaster Resource Network, Corporate Citizenship, Partnering against Corruption, International Monetary Convention Project, and Global Governance.

³³⁹ Geoffrey Allen Pigman, *A Multi-Stakeholder Approach to Global Governance*, pp. 93-4 and p. 116. The WEF strongly claims its role in bringing into life many initiatives "that were later officially undertaken by international organizations or governments" examples of which are the North American Free Trade Agreement (NAFTA), the UN Conference on Environment and Development, Known as "The Earth Summit" in 1992. One of the ideas discussed at the annual meeting of the IGWEL in 1998 was to set up a body that encompasses 10 developed countries with another 10 developing countries to deal with resolving the financial crisis. Later on that year, the G20 was created. *Ibid.* p. 154.

³⁴⁰ Kees Van der Pijl, *Transnational Classes and International Relations*, p. 134.

This image of the Forum is confirmed by Schwab and Smadja themselves when announcing the structural reforms underway at the WEF. They note that the overall picture today is that globalization has established “the supremacy of the market in an unprecedented way”; financial capital has humbled governments, reduced the power of trade unions, and made everyone vulnerable to the rule of the market³⁴¹. For that reason, they argue, the Forum has launched a self-assessment process to measure its influence in this regard. Following the 2008 economic and financial crisis, Klaus Schwab states that there has been “a gradual erosion” of the “communitarian spirit” in the business world over recent years which triggered the current economic crisis. The reason behind this is that “the enterprise has transformed from a purposeful unit to a functional unit”, it has turned from providing common goods and services for the public into being concerned only with maximising profits and shareholder value in the short term. Therefore, from 2007 onward, the WEF has placed more emphasis on creating shared norms and values between all stakeholders to cope with the new challenges³⁴².

However, Schwab’s story does not alter much of the content of the Forum’s discourse on international competitiveness, which although recently has started to incorporate social and environmental norms, as will be highlighted in Chapter Six, it is still strictly driven by a call for economic competition in a way that leaves no room in reality for accounting for social and environmental sustainability by the state. However, this aspect of the Forum’s discourse is beyond the scope of this thesis. In the next section, we will elaborate briefly on Robinson’s second dimension, internal restructuring of the state, through an outline of the Forum’s

³⁴¹ Klaus Schwab and Claude Smadja, “Globalization Needs a Human Face”, *The New York Times*, 28 January 1999, <http://www.nytimes.com/1999/01/28/opinion/28iht-edklaus.t.html> (accessed June 21, 2012).

³⁴² Klaus Schwab, “A Breakdown in Our Values”, *The Guardian*, Wednesday 6 January, 2010, <http://www.theguardian.com/commentisfree/2010/jan/06/bankers-bonuses-crisis-social-risk> (accessed June 21, 2012).

discourse on the role of the state and how its competitiveness discourse relates to this dimension.

4.3. The Transformation Imperative: The State in the WEF's Discourse

In order to make sense of the arguments made by critics regarding the influence of the WEF, and the power of the TCC in general, the role of discourse that carries the ideas of this ruling class needs to be examined. Robinson's second dimension of internal restructuring of the state would only make sense when the discourse of competitiveness underpinning neoliberal capitalist globalisation is tested in relation to its influence on the national policymaking of the state. As discussed thus far, it is evident that the state has figured in theory and practice in the formation of global policy groups such as the Forum. But what needs to be done in order to establish a comprehensive account of its role in relation to these groups is to map out not only its involvement in their activities but also the way it is depicted in their discourse. In relation to the former, it has been explained in depth so far. The latter will be elaborated a little more in this section. This will be done only concerning the Forum's direct discourse on the role of the state outside of the GCR – which constitutes the topic of Chapter Six.

The involvement of state officials in the Forum's activities has gradually increased throughout the course of the Forum's development. In fact, it reached its peak in 2009 with the eruption of the global economic crisis. As pointed out by the WEF, the 2009 annual meeting was attended by 40 heads of government, more than 100 trade ministers, and almost all major international organizations³⁴³. Since promoting public-private partnerships has become a general norm

³⁴³ WEF, *A Partner in Shaping History*, p. 247.

underlying the Forum's activities, its stakeholder project included not only states but also international organizations such as the United Nations, International Monetary Fund, World Bank and World Trade Organisation. This fact stands in contrast with the argument of the Forum's critics such as Graz's that the WEF "is institutionally cut off from the formal public institutions of the global economy"³⁴⁴. For example, Kofi Annan used the Forum as a platform in 1999 to launch the UN Global Compact calling upon companies, members of the Forum and others, to follow shared environmental, anti-corruption, human rights and labour standards. More recently, the Forum has started a new type of practice to improve their interaction with governments. It initiated what has become a custom based on granting the leaders of international organisations such as the G8 and G20 a room in the opening session of the Davos annual meeting as a way of providing support to their missions, which would help integrating all stakeholders into focusing on the global agenda rather than only corporate one. More importantly, for the aim of assisting the adaptation of the global economic organisations to the contemporary global economic environment the Forum launched the Global Redesign Initiative in 2010³⁴⁵. This points to the fact that the role of international organisations is as significant for the WEF's mission of improving the state of the world as the role of the states, both are expected to restructure their priorities accordingly.

For the Forum, the states and their international organizations "will continue to play a central role in global decision-making". However, if they are to play an effective one, they have to adapt themselves to current conditions of the global economy and its resulting business and societal needs. States and international organisations have to convince themselves that they

³⁴⁴ According to Graz, this separation is what creates both strength and weakness of the Forum, Jean-Christophe Graz, "How Powerful are Transnational Elite Clubs?" p. 328.

³⁴⁵ Klaus Schwab and Claude Smadja, "Join Forces to Solve the Shareholder-Stakeholder Equation", International Herald Tribune 31 January 1997, <http://www.nytimes.com/1997/01/31/opinion/31iht-edklaus.t.0.html> (accessed June 23, 2012).

constitute one “part of the wider global cooperation system that the world needs”³⁴⁶. Such an idea, argues Fougner, has penetrated both states and their international organisations as a result of the “cross-fertilization of ideas” characteristic of the multistakeholder approach of the WEF³⁴⁷. This characteristic has enabled the Forum “not only to problematize the conventional inter-state conception of world politics”, but, most importantly, also “to responsabilize” its members, states and other non-state actors, “in relation to global problems, and guide global problem-solving efforts towards multi-stakeholder partnering and market-based solutions”³⁴⁸. This ‘responsibilization’ policy is what turns the Forum into a private institution with a public agenda. Moreover, this new policy of the Forum applies also to trade unions within the nation-state who, according to Schwab, have to respond to the new competitive economic conditions through redefining their “role and priorities if they want to protect the interests of working people while not creating obstacles to job creation”³⁴⁹.

In order to fulfil these system-generated requirements, Schwab and Smadja assert that “action at the international level has to be complemented at the national level”. In order to achieve economic growth, the state has to “create or strengthen the institutional and regulatory framework required for the functioning of a free market economy integrated in the global system”³⁵⁰. The “mounting backlash” against globalization and “the social returns of global capitalism” can only be addressed when governments reorient their policies to focus on educating and training their people, upgrading their infrastructure, using fiscal incentives to

³⁴⁶ WEF, *A Partner in Shaping History*, pp. 259-60.

³⁴⁷ WEF, “Entrepreneurship in the Global Public Interest”.

³⁴⁸ Tore Fougner, “Corporate Power in World politics”, p. 125.

³⁴⁹ Klaus Schwab, quoted in Timothy L. O’Brien (ed.), “Can Angeline Jolie Really Save the World?” *The New York Times*, January 30, 2005, <http://query.nytimes.com/gst/fullpage.html?res=9504E0DC143BF933A05752C0A9639C8B63> (Accessed June 09, 2012).

³⁵⁰ Klaus Schwab and Smadja, Claude, “Globalization Needs a Human Face”, *The New York Times*, January 28 1999, <http://www.nytimes.com/1999/01/28/opinion/28iht-edklaus.t.html> (accessed on June 21, 2012).

attract businesses and adjusting social policies within their nations³⁵¹. That is, the state has to reconstruct the domestic structure of managing the relationship between capital and labour in a way that secures the accumulation of capital and yields the state with the economic and social conditions necessary to keep the social relations of production intact. The responsibility of governments, in the Forum's view, is to "reinvent their role in order to help their citizens to meet the requirements of an ultra-competitive society shaped by the knowledge economy"; governments have to escape the left-right dichotomy and must work towards providing a "compassionate government" outside the old model³⁵².

Achieving sustainable economic growth from the perspective of the Forum needs more than business self-regulation. It requires governmental cooperation in framing what Schwab and Smadja call "authoritative regulations that guarantee" adequate social, and environmental standards. Yet, this is not to argue for the old model of state interventionism. Rather, the Forum's approach rests on the belief that "the days of the all-powerful nation-state are long gone" and it is the role of business leaders to step in to help "develop a multi-stakeholder approach that works for the world in large and their business in particular"³⁵³. Thus, in order to enable business to do so, the main role of states is to reconstruct the way they work. More specifically, in order not to avoid the risk of being excluded from significant economic opportunities, states need to reorganise their priorities. Their focus should become concerned with helping to "balance conflicting interests and make sure that the most vulnerable groups in society get protection and assistance"³⁵⁴.

³⁵¹ Klaus Schwab and Smadja, Claude, "Start Taking the Backlash against Globalization Seriously", *The New York Times*, February 1st, 1996, <http://www.nytimes.com/1996/02/01/opinion/01iht-edklaus.t.html> (accessed June 22, 2012).

³⁵² Klaus Schwab and Smadja, Claude, "Globalization Needs a Human Face".

³⁵³ Klaus Schwab, "Sind Wirtschaftsführer noch vertrauenswürdig?"

³⁵⁴ Klaus Schwab and Claude Smadja, "Join Forces to Solve the Shareholder-Stakeholder Equation", *International Herald Tribune*, 31 January 1997, <http://www.nytimes.com/1997/01/31/opinion/31iht-edklaus.t.0.html> (accessed June 26, 2012).

These internal restructuring imperatives take place effectively through the Forum's discourse on competitiveness, as will be shown later in the thesis. The GCR is an important discursive power through which the state engages to respond to the national-specific needs of managing class struggle. The GCR was designed to serve as "a useful benchmark for governments around the world to monitor their performance based on economic as well as social criteria". In the Forum's eyes, the GCR has become an "indispensable tool that many countries employ to identify reform priorities"³⁵⁵.

The publication of GCR is one significant way through which the desired responsibility and role of the state is reconstructed. Since its very first year, 1979, it was seen as a milestone in the development of the Forum. For Pigman, it represented "a key step toward the realization of Schwab's objective of transforming the Forum from being primarily about organizing conferences into an organization that leverages fully its knowledge-generating capacities"³⁵⁶. According to Blanke, Chief Economist and Member of the Management Committee at the Forum, through the report "the whole point has always been to provide a platform for dialogue among all stakeholders on what needs to be done within and by countries in order to provide high and rising living standards for their citizens"³⁵⁷. As explained by Dreznek, states need to have "a business perspective on things and to have an international perspective on things and to have a tool for international comparison"³⁵⁸.

³⁵⁵ WEF, *A Partner in Shaping History*, p. 37.

³⁵⁶ Geoffrey Allen Pigman, *A Multi-Stakeholder Approach to Global Governance*, p. 12. To avoid being labelled only a conference organizer, "Schwab presented the executive board with an idea: publish a report on the competitiveness of a selected group of countries", Kirsten Lundberg, "Convener or Player?" p. 19.

³⁵⁷ Jennifer Blanke, Interview with The Author, July 10, 2013.

³⁵⁸ Margareta Drzeniek, Interview with The Author, October 16, 2013.

Although Pigman has not systematically analysed how the GCR influences the state, he is partly right in stating that the GCR pushes states into a race of “competition to be competitive” and play a “key role in generating and shaping the discourse of economic and social development and growth that the Forum wants to advance”³⁵⁹. The GCR lays out the ground for governments to conduct their territorial economic space in the spirit of market actors or what Fougner terms “states as competitors”³⁶⁰. As a method of benchmarking themselves, he affirms states become constituted as “competitive entities driven not by internal socio-political processes, but rather by global standards of conduct...supportive of private sector economic activity...to normalize a neoliberal vision of free-market capitalism”³⁶¹. Through the report, states are being urged to undertake neoliberal economic reforms in order to enhance the competitiveness of their economies and achieve sustainable economic progress. However, he stresses that the point here is not that “the imperatives of the global economy” have forced states and other actors to act in certain ways, but rather that it is the “dominant globalization discourse” of the WEF that gave rise to the idea that the state should function in this manner in order to become prosperous in the global market³⁶².

The reality pertaining the Forum and other global policy groups is that they perform as “a form of the socialisation of the conduct of class struggle on the part of the bourgeoisie” as Van der Pijl argues³⁶³. Their policies and practices in relation to class struggle are modified by states’ involvement. His view of global policy groups as forming platforms for “developing common strategies and adjusting the hegemonic concept of control in response to resistance and other challenges” seems to capture much of the truth pertaining the Forum³⁶⁴. However, in our view, politicians’ involvement in the Forum simply shows that the Forum has not only been used as

³⁵⁹ Geoffrey Allen Pigman, *A Multi-Stakeholder Approach to Global governance*, p. 104.

³⁶⁰ *Ibid.* pp. 109-11

³⁶¹ Tore Fougner, “Corporate Power in World politics”, p. 112.

³⁶² *Ibid.* p. 108.

³⁶³ Kees Van der Pijl, *Transnational Classes and International Relations*, p. 108.

³⁶⁴ *Ibid.* p. 98.

a business platform to support their agendas. Rather, Pigman is right to argue that it also has been utilised by politicians as “a platform to speak out publicly through the media on major policy debates underway at home or in global arenas”³⁶⁵. If “the iron logic of the power of collaboration is inescapable” for businesses, as Schwab argue³⁶⁶, it is definitely inescapable for the state too. In light of our Open Marxist approach, the state is involved in the socialisation of the conduct of class struggle in the global economy because it exists as a political node in the global accumulation of capital. The domestic reproduction of capital-labour relations requires the state to take part in the management of transnational capitalist relations of production. The state’s involvement in the Forum’s activities contributes to the coordination of its competitiveness discourse. Whether it adopts the same exact standards at the national level of policymaking is a matter of further research.

Conclusion

In this chapter I have argued that the WEF effectively represents a materialisation of the TCC where its structure, activities and communities include all the components of the TCC as outlined by Sklair, Robinson and Carroll. I have demonstrated how the WEF was established in 1971 as a European organisation that aims to respond to the challenges facing European businesses and then have evolved to become today a global policy group that is seen as a “phenomenon of our times”³⁶⁷. Given this evolution, it was established that the WEF has become an influential organisation capable of projecting its ideas and discourses outside its

³⁶⁵ Geoffrey Allen Pigman, *A Multi-Stakeholder Approach to Global governance*, p. 70.

³⁶⁶ Klaus Schwab, “Off The Couch”, *The Daily Beast/Newsweek*, December 11, 2007.

³⁶⁷ Editorial, “High Minded in High Places”, *The Guardian*, February 5, 1997, <http://0-global.factiva.com.pugwash.lib.warwick.ac.uk/ha/default.aspx> (accessed on December 5, 2011).

walls given its multi-stakeholder nature. Such a characteristic of the Forum enriches it with the ability to form, coordinate and communicate discourses through collective participation, cooperation and innovation of various actors. The Forum in this sense constitutes a discursive formation where ideas and their discourses are exchanged, debated and finally formulated.

I have also argued that the WEF's discourse of competitiveness represents an important tool for channelling its influence to state and business actors both within and outside the Forum. This tool is founded on the Forum's material structure, effectively its TNC members, which yields the Forum with publicity, attractiveness and credibility most importantly for state leaders. The GCR serves as a medium of communicating the Forum's competitiveness discourse to these actors. However, what is weakly established in the argument made by the Forum's critics' is how the internal national restructuring process takes place in reality. Many states have adopted competitiveness as their *modus operandi* today, especially in the western world, and discourse has in some cases triggered a political debate concerning the national competitiveness ranking. However, there has been no credible and concrete evidence so far of the influence that WEF has over national policymaking. This task is at the core of this research in order to assess the argument considering the power of the TCC and its policy groups.

Before turning into providing a detailed analysis of the GCR as an influential tool of channelling the WEF's discourse of competitiveness, in the next chapter, I will review the debate on competitiveness in order to situate the Forum's version of the discourse among other discourses and to assess its influence in comparison to other discursive organisations. This review will also give an idea of the state is placed in relation to the discourse and what is the influence of the latter over it.

Chapter Five

The Politicisation of Competitiveness: The Role of Globalising Professionals

In the previous chapter I have mapped out the structure of the WEF as a TCC site, based on the definition of the TCC in the literature. The chapter showed that the WEF includes the main components of this class: TNCs, globalising politicians and professionals as well as the consumerist elites. Each of these components, the TCC theorists assume, perform certain, but complementary, tasks in pursuit of the Forum's interest. I argued against this position in relation to the second component, globalising politicians. The latter I maintained take part in the Forum's activities as a response to the need of managing the relationship between capital and labour on the global market, as global capital flows across and beyond the state's political borders.

As demonstrated in the analysis, the Forum emerged as an attempt to recover the competitiveness of European industries. Capital accumulation and the realisation of profit came under a challenge in Europe in the 1970s and 1980s. Labour power which was reflected in inflexibility and wages detached from productivity levels, coupled with an undesirable levels of welfare spending, put European business profitability and their competitiveness under mounting pressure versus other competitors. To such a situation and in order for capital to be able to reproduce itself, the state responded by changing the form of managing capital-labour relations within its borders thereby suppressing labour power and initiating a phase of state restructuring process away from the Keynesian model. This change yielded capital with better accumulation conditions, allowing it to reproduce itself globally. Hence, it ushered a stage of

global concentration and centralisation of capital and influence which materialised in the formation and growth of global organisations like the WEF.

Today, the WEF represents a major contributor to global governance discourses in various fields. The variety of actors involved in its activities allows it to function as a powerful discursive formation that coordinates ideas and discourses and communicates them to the rest of the world, to businesses, the states and the rest of the society. I argued that the discourse of competitiveness embodied in the GCR is the channel through which the Forum projects its power. It is one of its influential discursive contributions through which it attempts to restructure the way states manage their economies. However, using the OM framework outlined in Chapter 1, I argued that; first, the involvement of the state in the activities of the Forum should not be seen as indicative of aligning its interests with those of the Forum as is the case made in most of the literature on international competitiveness which I discuss later on in this chapter. It rather should be viewed as an imperative to manage the conditions of class struggle beyond the state borders, a necessary task to the reproduction of class antagonism and the capitalist social relations of production within the state's jurisdictions. Second, I argued that the engagement with neoliberal competitiveness discourse represents a form of the state's management of capital circuits and class struggle rather than an imposition on the state by the Forum, an argument Neo-Gramscians and Structural Marxists make. States do not adopt the discourse as it is designed by the Forum, and its globalising professionals, but adjust it to their own socio-economic conditions in order to preserve the social order rather than endangering it. However, this is not to say that the Forum's competitiveness discourse has no impact on the state restructuring process, but to emphasise that the management of class struggle nationally determines the extent of this impact. Discourse is a form of class struggle and a sphere with which the state engages with other actors such as the Forum and its globalising professionals

in order to reproduce the capitalist social relations of productions within its jurisdictions. This will become clearer in this chapter.

The first section of this chapter seeks to establish what international competitiveness is by looking at the work of prominent globalising professionals such as Stéphane Garelli and Michael Porter who are considered authorities on the subject and who have, most importantly, established the WEF's competitiveness discourse in the GCR, although they differ greatly in their accounts today. Indeed, their work and role within the Forum has informed most of the debate on international competitiveness and the role of the state under neoliberal globalisation.

Using Open Marxism, the second section will engage critically with the debate on the discourse of international competitiveness in order to highlight its limitations and propose an alternative approach on how to assess the impact of the competitiveness discourse on the state. The latter task I argue is conditional upon a thorough analysis of competitiveness reports published by global, and other, policy groups in order to offer a perspective that is not based solely on rankings and the political debates it generates. The overall argument underlying this chapter is that states adapt competitiveness standards to their own national environments because their relationships to global capital are not identical. Competitiveness standards are defined by the conditions of social relations of production characteristic of their own economies. Thus, the WEF's competitiveness discourse is far from hegemonic and the influence of globalising professionals is limited to the conditions of class struggle within each state.

5.1. Defining Competitiveness: The role of Globalising Professionals

Today, improving the competitive position of a country in the world economy is seen as “the best way to assure the most efficient governance of the world economy and the highest level of social well-being”³⁶⁸. This all depends on a role of the state different from that it assumed until the 1970s. Competitiveness has become a heated political topic today. It had risen in the 1980s due to “the political problematisation of the state” attributed to its failure in maintaining sustainable growth and employment levels³⁶⁹. According to Kantola, since then competitiveness has transformed “the political imaginaries and political governance”³⁷⁰. It has brought about “a reconfiguration of politics” as people knew it where institutional democracy has had to respond to “the forces of globalisation and flexible capitalism”. As such, the traditional issues around which political discussions revolved increasingly lost their meaning, since providing businesses with a profitable environment has preoccupied statesmen and impacted on the way the state is being restructured “along the logic of the competition”³⁷¹. As a result, competitiveness “proposes a new political imaginary, a theory of political community” and changes the way we should understand the state³⁷².

The creation of competitiveness agencies, indicators and ratings has underlined these developments within the state³⁷³. The publication of rating competitiveness indicators triggered

³⁶⁸ Group of Lisbon, *Limits to Competition* (London: MIT Press, 1995), p. 89.

³⁶⁹ Anu Kantola, “Transforming political imaginaries: the uses of competitiveness”, *University of Helsinki*, Working Paper 3 (2006), pp. 15-6.

³⁷⁰ *Ibid.* p. 1.

³⁷¹ *Ibid.* p. 20.

³⁷² *Ibid.* p. 22.

³⁷³ *Ibid.* p. 2.

“a host of political discussions over a given country’s listing”³⁷⁴. As noted by Blanke describing the GCR:

For many governments it is an important part of their toolkit in thinking about competitiveness issues and how to improve. Of course companies sometimes use the results to understand the situation in countries they may not know very well and where they are thinking of investing. But we have also seen that companies use the report’s results as a conversation starter with governments in order to discuss the challenges they are facing and to see how things could be improved³⁷⁵.

By publishing the competitiveness report annually, the WEF’s objective is to provide businesses with “a practical and comprehensive strategic tool” to inform their policymaking³⁷⁶. In and through these agencies and reports, states began to “(re)constitute and act on themselves and their populations as competitive and entrepreneurial ‘place-sellers’ in a global market for investment”³⁷⁷. Since the competitiveness of a nation is mainly assessed by numbers, it follows, then, that democracy becomes also measured by numbers such as growth rate and employment rate which are brought about by the existence of profitable businesses within the nation’s borders. These numbers, to use Rose’s words, are “integral to the problematizations that shape what is to be governed, to the programs that seek to give effect to government and to the unrelenting evaluation of the performance of government that characterizes modern political culture”³⁷⁸. Thus, competitiveness has become a source of legitimacy to the political system today³⁷⁹.

³⁷⁴ *Ibid.* p. 9.

³⁷⁵ Jennifer Blanke, Interview with the Author, July 10, 2013.

³⁷⁶ Klaus Schwab and Xavier Gilbert Preface, World Economic Forum, *World Competitiveness Report 1992* (Geneva: IMD and the World Economic Forum, 1992).

³⁷⁷ Tore Fougner, “The State, International Competitiveness and Neoliberal Globalisation: Is There a Future Beyond ‘the Competition State’?”, *Review of International Studies*, 32: 1 (2006), p. 181.

³⁷⁸ Nikolas S. Rose, *Powers of Freedom: Reframing Political Thought* (Cambridge: Cambridge University Press, 1999), p. 199.

³⁷⁹ Rose perceives democratic power as a “calculated power” in which numbers are “intrinsic to the forms of justification that give legitimacy to political power in democracies”. Numbers are “integral to the technologies that seek to give effect to democracy as a particular set of mechanisms of rule”, *Ibid.* p. 200.

Garelli and Porter can be considered the founders of competitiveness as an academic discipline. They are both still seen as key authorities on competitiveness today. Their contribution is most pronounced in the discourses of global policy groups, the WEF in particular. It is also evident within academic circles. Both scholars have taken part in designing the competitiveness discourse of the WEF. While Garelli is no longer associated with the Forum, he participated in the Forum's early efforts aimed at creating an approach to competitiveness for the purpose of measuring the performance of European industries since early 1980s. On the other hand, Porter, since 1998, is still an advisor of the WEF's competitiveness network that publishes the GCR and his contribution is centred on establishing the microeconomic foundations of competitiveness – Porter's contribution will be discussed in detail in Chapters Six and Seven.

According to Garelli, the idea of national competitiveness came from the WEF in the mid-1980s after having focused only on firm competitiveness since 1979 when its publications of the GCR commenced³⁸⁰. Garelli was the pioneering figure with whom the WEF started the publication of the GCR. He took part in a WEF project led by Thomas Rauschenbach of the Forum to study the competitiveness of nations as early as 1985. However, later in 1988 when Garelli became a member of the International Institute of Management Development (IMD), the competitiveness project of the WEF was carried out in cooperation between the two institutions until mid-1990s. Then, each institution started reporting independently on competitiveness. However, both of their projects have engaged with studying how nations compete to enhance their living standards.

Although the focus of this thesis is not on the IMD's discourse on competitiveness more generally, this is also of great interest, I will nevertheless consider Garelli's contribution to the development of their competitiveness discourse since his footprint on the WEF's discourse is

³⁸⁰ Stéphane Garelli, "Competitiveness 20 Years Later", in Institute for Management Development (ed.), *The World Competitiveness Yearbook 2008* (Lausanne: IMD, 2008), pp. 30-1.

considerable today in the GCR. Both Garelli and Porter are truly globalising professionals in the way defined in the TCC literature. Both scholars are committed to the idea of international competitiveness and their work has precipitated a huge debate on competitiveness and contributed to its spread and politicisation among businesses but also political leaders. This section will outline their definition of competitiveness and the framework of action they have set for businesses and states alike. Most of the ideas discussed here form the ground of the GCR that will be studied in the next chapter.

Generally speaking, competitiveness is a concept that lacks a proper theoretical foundation. Despite “widespread acceptance of its importance”, Porter and Ketels argue, competitiveness “remains a concept that is not well understood”. In order to overcome such a problem, there is a need to identify the real “sources of a nation’s prosperity”. A nation’s prosperity is “determined by the productivity of its economy, which is measured by the value of goods and services produced per unit of the nation’s human, capital and natural resources”. Specifically, productivity is what permits high wages, high currency value and returns on investment as well as high living standards in a country³⁸¹. Competitiveness, then, should be measured in productivity terms at the national level³⁸². Garelli agrees with Porter and Ketels’ definition and argues that prosperity is derived from the nation’s productivity in utilising “its human, capital and natural resources”³⁸³.

The theoretical ground for the study of competitiveness is provided in the work of classical economists such as Smith, Marshall, and Ricardo. Its essence is explained by Garelli. He notes that

³⁸¹ Michael E. Porter and Christian H. M. Ketels, “UK Competitiveness: moving to the next stage”, *DTI and ESRC*, 3 (2003), p. 7.

³⁸² Michael E. Porter, “The Competitive Advantage of Nations”, *Harvard Business Review*, March/ April (1990), p. 76.

³⁸³ Stéphane Garelli, “Competitiveness 20 Years Later”, p. 30. See also Brian Snowdon and George Stonehouse, “Competitiveness in a Globalised World: Michael Porter on the Microeconomic Foundations of the Competitiveness of Nations, Regions, and Firms”, *Journal of International Business Studies*, 37: 2 (2006), p. 165.

In the competitiveness mindset, the law of comparative advantage implies that a nation, firm, or individual should not focus automatically on activities it can perform *better* or *cheaper* than its competitors, but, rather, on those where its relative advantage is *larger*.

The concept comparative advantage, then, is built on two assumptions. First, a nation, a firm or a person should “specialise” in products that are unique and not available to their competitors. Second, they should devise a strategy that “*maximises the relative advantage between competitors*” because “being number one is not such an enviable position if number two is very close behind³⁸⁴. However, for modern economists national prosperity is “created, not inherited”. Today prosperity derives from innovative businesses rather than from only a country’s natural recourses, labour, or capital as classical economists established³⁸⁵. According to Porter, competition today is focused on “the creation and assimilation of knowledge”. Whether in the form of skills or technology products, the latter has played a key role in restructuring the relationship between capital and labour since about the 1970s.

On a micro level, Garelli notes that competitiveness is business’ ability to successfully manage its relationship with various contexts that surrounds the enterprise. As such, being “efficient” is not “enough” if the company “cannot deal appropriately with its national, international and sectorial surroundings³⁸⁶. Ultimately, competitiveness is “the ability of entrepreneurs to

³⁸⁴ Stéphane Garelli, *Top Class Competitors: How nations, firms, and individuals succeed in the new world of competitiveness* (West Sussex: John Wiley and Sons Ltd, 2006), p. 33 and p. 35.

³⁸⁵ Michael E. Porter, “The Competitive Advantage of Nations”, p. 73. Garelli notes that knowledge is “perhaps the most critical competitiveness factor” and an important condition to maintain competitiveness and “to compete in world markets”. This importance grows as the country moves up on the economic ladder. Garelli, “Competitiveness of Nations: the Fundamentals”, in Institute for Management Development (ed.), *The World Competitiveness Yearbook 2000* (Lausanne: IMD, 2008), p. 47.

³⁸⁶ Stéphane Garelli, “What is World Competitiveness”, World Economic Forum (eds.), *World Competitiveness Report 1990* (Geneva: IMD and the World Economic Forum, 1990), p. 5.

design, produce, and market goods and services, the price and non-price characteristics of which form a more attractive package than that of competitors”³⁸⁷.

What nations should realize is that competitiveness is “like a race. It’s not just about *you* running faster today than *you* did yesterday; it’s about *you* running faster today than *all the others* in the race”³⁸⁸. It follows that competitiveness is “about *benchmarking* one’s performance with others today, and not with oneself yesterday”³⁸⁹. In addition, Garelli assures that to be successfully competitive is not enough because “what really matters” is “being different”. The underlying principle of the theory of competitiveness is that “success is about differences”. This is based on the notion that competitiveness “*thrives on maximising the positive difference (or comparative advantage)*” [emphasis in original] between competitors, be it a nation, a firm or a person³⁹⁰. Yet, the “frames of comparison” of nations should be changed to one that is focused on comparing one’s performance with a comparable competitor in a fixed timeframe and then “seek to maximise their advantage”³⁹¹. Thus, significant to international competitiveness is the comparison tool countries use to measure their improvement, the benchmarking tool. It should measure the performance of one country against others in a certain period and at a similar stage of economic development as is the case in the GCR, an approach formulated by Porter, and discussed in detail below.

For Garelli, the analysis of competitiveness should be focused on the microeconomic level because it is the enterprise that creates wealth, the national environment only hampers or encourages business investment and success. Therefore, any ranking of nations’

³⁸⁷ Then the GCR was published in collaboration with the IMD and Garelli co-authored its reports with Schwab, *Ibid.* p. 8.

³⁸⁸ Stephane Garelli, *Top Class Competitors*, p. 22.

³⁸⁹ *Ibid.* p. 24. Nations have to choose the “right comparison basis, i.e. the right race to win, *and* defining the objective, i.e. by how much to win”, these are fundamental to competitiveness. *Ibid.* p. 25.

³⁹⁰ *Ibid.* p. 26.

³⁹¹ *Ibid.* p. 28.

competitiveness should be read in terms of their capacity “to create and maintain an environment that sustains the competitiveness of enterprises”³⁹². Therefore, the desirable and successful role of the state is to offer an environment compatible with sustainable value creation at the micro level. Accordingly, the competitiveness strategy of a nation “has to correspond with the model of competitiveness in which its firms can thrive”³⁹³. He emphasises that the competitiveness of firms and nations are two sides of the same coin. Particularly, nations are the agents that carry out the transformation of this economic added-value “into tangible signs of prosperity for people”. He argues that the “fate of firms, nations, and people is...intertwined, and cannot be managed separately”³⁹⁴.

However, Garelli rightly argues that a “single ‘recipe’” for competitiveness is not applicable to every country. Countries need to adapt competitiveness policies to their national environments. Competitiveness policies can only be successful “when they balance the economic imperatives imposed by world markets with the social requirements of a nation formed by history, value systems, and tradition”³⁹⁵. This, specifically, has to do with the relationship between the state, labour and capital operating within the country. As we have seen in Chapter Three, the relationship between the three is defined according to the conditions of the relationship between labour and capital and the nature of class struggle, which defines the way states manage their national economies.

Garelli’s international competitiveness framework outlines how nations should compete to improve their competitiveness. This framework consists of four forces. The first he calls

³⁹² Michael E. Porter, “The Competitive Advantage of Nations”, pp. 77.

³⁹³ Stephane Garelli, *Top Class Competitors*, pp. 65-6.

³⁹⁴ Stephane Garelli, *Top Class Competitors*, *Ibid.* p. 3. Ezeala-Harrison perceives the role of firms in relation to competitiveness as related to microeconomic “necessary conditions” while the role of the state is concerned with maintain the “sufficiency conditions” of competitiveness, they both are significant for sustainable competitiveness. Fidel Ezeala-Harrison, “On the Competing Notions of International Competitiveness”, *Advances in Competitiveness Research*, 13: 1 (2005), pp. 82-83.

³⁹⁵ Stephane Garelli, “Competitiveness of Nations: the Fundamentals”, Institute for Management Development (ed.), *The World Competitiveness Yearbook 2003*, P. 704.

“attractiveness vs. aggressiveness”. For example, the country’s rate of inward FDI is a sign its attractiveness while its export of FDI and other products produced nationally or globally can be seen as an indicator of its aggressiveness. As will be shown in the competitiveness debate below, most of the competition between countries is centred on the latter aspect, they compete “to attract or retain enterprises”³⁹⁶. He asserts that countries have to balance their performance in both areas in order to compete successfully. The second force is “proximity vs. globality” which constitutes two main features of today’s national economies. The first, incorporates all the traditional industries that are close to the consumer where the added value is utilised in the country. It is normally marked with protectionism and is less cost-effective and, thus, less competitive³⁹⁷. On the other hand, the global economy is mainly composed of globally oriented firms and is marked – at least theoretically – with openness, effectiveness and price-competitiveness³⁹⁸. Its added value is provided through the accessibility of the end-user to its products in the global market³⁹⁹. The economy of globality prospers by “exploiting the different comparative advantages of nations world-wide” that form its global management of a mobile value chain⁴⁰⁰. Garelli pays great attention to this second force given its importance to a state’s ability to construct a socially sustainable competitiveness profile.

For Garelli, globalisation led to the expansion of the economy of globality. As a result nations and firms have to deal currently with a “two-tier economy”. They both have to “identify clearly

³⁹⁶ Stéphane Garelli, “Competitiveness of Nations: the Fundamentals”, *The World Competitiveness Yearbook 2000*, p. 48. WEF, *The World Competitiveness Report 1994* (Geneva: IMD and the World Economic Forum, 1994), p. 18.

³⁹⁷ Traditional activities include “crafts; social and personal services, such as doctors and teachers”, administrative activities include “government and justice”; and consumer support activities include “after-sales service and customization, Stéphane Garelli, “Competitiveness of Nations: the Fundamentals”, *The World Competitiveness Yearbook 2000*, p. 49.

³⁹⁸ *Ibid.* In Western Europe, more than 65% of the GDP comes from the economy of proximity and the rest from the economy of globality. Large countries mainly depend on their economy of proximity despite the fact that the attention is increasingly directed to the economy of globality. In smaller countries the economy of globality is more dependent on. *Ibid.* p. 50.

³⁹⁹ Stéphane Garelli, *Top Class Competitors*, p. 103.

⁴⁰⁰ Stéphane Garelli, “From Competitive Enterprises to Competitive Societies”, in WEF (ed.), *The World Competitiveness Report 1995* (Geneva: IMD and World Economic Forum, 1995), pp. 8-9.

which competitiveness strategy applies to which part of the economy”⁴⁰¹. When the economy of globality starts to invade areas which used to be a part of the proximity economy, the danger of social tension rises in the nation given the close link traditionally established between people and the social benefits provided by this economy. This is the case regarding the health and education systems as well as the unemployment schemes. This possibility is exacerbated with the rise of competitiveness as a strategy of policy making. To avoid the rise of social tension, then, states need to balance their competitiveness policies to meet both the needs of private actors and the public at large⁴⁰².

The third force is “assets vs. processes”. In other words it’s about production rather than ownership of /control over natural resources. Countries are considered more competitive when they are efficient in the “transformation processes” of turning assets into products that prove competitive on the market⁴⁰³. The role of the state is to provide channels conducive to such efficient transformation processes.⁴⁰⁴ Countries and companies that are flourishing in the transformation process are more capable of survival during economic crises⁴⁰⁵. Essentially, then, competitiveness is “the ability of a country or a company to, proportionally, generate more wealth than its competitors in world markets”⁴⁰⁶.

⁴⁰¹ Stéphane Garelli, *Top Class Competitors*, p. 105.

⁴⁰² *Ibid.* Garelli distinguishes between two types of countries in this regard. The first is the Anglo-Saxon that is driven by an “entrepreneurial spirit” that adopts “a hyper-competitive” approach and the second is the continental European group that values social cohesiveness by taking into consideration national stability and the sustainability of growth, thus, keeping a closer approach to the economy of proximity, *Ibid.* p. 110.

⁴⁰³ Countries like India, Russia and Brazil are wealthy in land, people, and natural resources but they are less competitive than countries such as Singapore, Japan and Switzerland which are poor in resources. The latter countries rely essentially on the “transformation processes”. Stéphane Garelli, “Competitiveness of Nations: the Fundamentals”, *The World Competitiveness Yearbook 2000*, p. 50. For more details see also “The World Competitiveness Formula”, in WEF (ed.), *World Competitiveness Report 1993* (Geneva: IMD and the World Economic Forum, 1993), pp. 30-34.

⁴⁰⁴ Klaus Schwab and Xavier Gilbert Preface, WEF, *World Competitiveness Report 1992*, p. 2.

⁴⁰⁵ Stéphane Garelli, “At the core of competitiveness”, in WEF (ed.), *World Competitiveness Report 1992*, pp. 4-7.

⁴⁰⁶ WEF, *The World Competitiveness Report 1994*, p. 18.

The final force is “individual risk taking vs. social cohesiveness”. Garelli highlights the distinction between two economic systems; one that “promotes individual risk and one that preserves social cohesiveness”. The first is characteristic of the Anglo-Saxon countries where the importance is given to “risk, deregulation, privatization and the responsibility of the individual through a minimalist approach to the welfare system”. The other system is mainly European which appraises “social consensus, a more egalitarian approach to responsibilities and an extensive welfare system”. Countries must strike a balance between risk taking and social cohesiveness in order to achieve sustainable competitiveness⁴⁰⁷.

Thus, the adequate level of competitiveness that a country should reach without endangering its survival and that of businesses, Garelli contends, “depends very much on the ability of a country to develop what could be called a *“competitive society”*. A competitive society is one that finds “a dynamic equilibrium between wealth creation on one side and social cohesion on the other”. More importantly, this dynamic equilibrium “does not necessarily mean economic efficiency at all costs in all areas. Actually, it may even imply ... a conscious decision on the part of people to accept a certain level of inefficiency”. Moreover, this society competently and “actively manages all the facets of its competitiveness, from infrastructure to education” and the ability to reach “a subtle balance between proximity and globality”⁴⁰⁸. A balance between the generation of “revenues and technology” and the provision of “employment and social cohesion” which should take into consideration a quick responsiveness to changes⁴⁰⁹.

From the above, an efficient role of the government is enhanced by: minimizing its intervention in the economy in the sense that it should only intervene to create an environment supportive

⁴⁰⁷ *Ibid.* See also Stephane Garelli, “Competitiveness 20 Years Later”, p. 34.

⁴⁰⁸ Stephane Garelli, “From Competitive Enterprises to Competitive Societies”, p. 6.

⁴⁰⁹ Focusing only on the economic side of competitiveness and “maximising efficiency” is similar to “training an athlete with only muscles, but without brain and soul”, *Ibid.* p. 11.

of business competitiveness. Be it social, political or economic, this environment should be “predictable” in order to reduce uncertainty and risk for businesses; it should ensure flexibility in adapting to changing global economic conditions; and, it should guarantee a fair, equal and just society in which the interests of all are protected. Given that competitiveness has become a major component of a state’s policies, Garelli notes that the role of the latter has not become “bigger or smaller”, it is “simply different ...new domains of responsibility are developing ... prior responsibilities are being redefined”⁴¹⁰. That is, competitiveness changes “the rules of the game” and leaves countries, companies, and people with no choice but to adapt to its dynamics, a process which according to Garelli “is sometimes painful”⁴¹¹. Overall, competitiveness policies are challenging for policy-makers since they require the creation of a “policy-making structure” that accounts for the short-termism which distinguishes the political system and the long term pursuit of prosperity⁴¹². While this is perhaps true in most states, a challenge evident in the UK case where national competitiveness as an approach to policy making has yet not developed as a robust and long-term structure as I will show in Chapter Eight.

While Garelli’s understanding of international competitiveness is quite holistic and takes into account the social, economic and political dimensions of competitiveness and presents a detailed account of the best way of their articulation, Porter’s account is less so. His take on the matter is oriented more towards the success of the enterprise in the competitiveness game without accounting for the social foundation of competitiveness. The latter is supposed to be strengthened only when the national environment becomes supportive of business success.

⁴¹⁰ Stéphane Garelli, “Competitiveness of Nations: the Fundamentals”, *The World Competitiveness Yearbook 2003*, p. 708.

⁴¹¹ Stéphane Garelli, “Is Competitiveness Unfair”, in WEF (ed.), *The World Competitiveness Report 1994*. p. 13.

⁴¹² Christian H. M. Ketels, “Michael Porter’s Competitiveness Framework—Recent Learnings and New Research Priorities”, *J Ind Compet Trade* 6 (2006), p. 132.

As stated by Ketels, the competitiveness imperative has forced policy-makers to identify the sources of their nation's competitiveness and formulate their policies accordingly. He suggests that Porter's competitiveness framework, discussed below, is useful to respond to such a challenge⁴¹³. A competitive state is defined by Porter as "the nation in which the essential competitive advantages of the enterprise are created and sustained". It is the locus where the strategy of the firm "is set", where its "core product and process technology is created and maintained", and where "the most productive jobs and most advanced skills are located"⁴¹⁴. In the past governments were only "in charge of improving competitiveness through policy decisions and incentives" and firms "competed in the marketplace and took their environment as given"⁴¹⁵. Currently, however, nation-states are operating within a new global economic framework which has emerged from three major "revolutions". First, is the globalisation of the economy with its accompanying legislative development; second, technological advances; and third the revolution in management and the rise in corporate Managers' productivity. These three changes combined have altered "drastically" the economic mechanisms and "the rules of competitiveness"⁴¹⁶. Competitiveness no longer only concerns trade between states, FDI has also become a crucial factor in economic growth.

As maintained by Porter, competitiveness should not be understood as a policy in itself. Rather, it should be seen and used as "a strategic objective to organize individual policies". Porter sets out four main "attributes" for every nation necessary to enhance its ability to provide a favourable conditions for companies in a way conducive to constant innovation, improving

⁴¹³ *Ibid.* p. 119. Ketels concludes that Porter's diamond is adopted mainly by centre-left governments while center-right governments "tend to be more skeptical". This is in part because of their disagreement about "the appropriate role of government". More to the point, Porter's diamond is seen by the left as a justification for government intervention while for the right it justifies harmful government policies, *Ibid.* p. 134.

⁴¹⁴ Michael E. Porter, "The Competitive Advantage of Nations", p. 77.

⁴¹⁵ Michael E. Porter and Christian H. M. Ketels, "UK Competitiveness: moving to the next stage", p. 30.

⁴¹⁶ Stéphane Garelli, "Is Competitiveness Unfair", pp. 8-9. Garelli notes that understanding competitiveness in trade terms has its roots in Ricardo's theory of Comparative Advantage. Stéphane Garelli, "Competitiveness 20 Years Later", p. 30.

their competitive advantage and adapting to change. The first is “factor conditions”, which refers to the nation’s possession of factors of production, such as skilled labour or sophisticated infrastructure. Second, the “demand conditions” for the firm’s products and services. Third, the “related and supporting industries” which is embodied in the existence of the necessary supplier industries that the firm would need to excel⁴¹⁷. Fourth, the “firm strategy, structure, and rivalry” which is influenced by the country’s regulations on start-ups, management, finance as well as the conditions of domestic competition. All together, these attributes form the national environment in which “companies are born and learn how to compete”⁴¹⁸. Independently and collectively, these attributes, according to Porter, constitute “the diamond of national advantage, the playing field that each nation establishes and operates for its industries”⁴¹⁹. Thus, states with the strongest diamond are the ones that will be more competitive⁴²⁰. The value of the diamond becomes greater when it is also used by firms as a tool to help making the right investment decisions to enhance their competitive advantage⁴²¹.

However, even though Porter’s framework for government action calls for its intervention to uphold the competitiveness of the nation through helping firms to improve their competitive advantage, it does certainly not call for a direct involvement in this endeavour: the role of the government is “an indirect, rather than a direct, role”⁴²². Its “proper” role is to act as “a catalyst and challenger; it is to encourage — or even push — companies to raise their aspirations and move to higher levels of competitive performance”⁴²³. In particular, to gain competitive advantage, the role of the government within the competitiveness diamond must focus on

⁴¹⁷ The supporting and related industries are explained in what Stéphane Garelli terms “Clusters”. They constitute “islands of competitiveness”, Stéphane Garelli, *Top Class Competitors*, p. 55.

⁴¹⁸ Michael E. Porter, “The Competitive Advantage of Nations”, p. 78.

⁴¹⁹ *Ibid.* p. 77.

⁴²⁰ A. J. Smit, “The Competitive Advantage of Nations: is Porter’s Diamond Framework a New Theory that explains the international competitiveness of countries? *Southern African Business Review*, 14: 1 (2010), p. 121.

⁴²¹ *Ibid.* p. 124.

⁴²² Michael E. Porter, “The Competitive Advantage of Nations”, p. 87.

⁴²³ *Ibid.*

upgrading the education and health systems, infrastructure, establishing the link between industry and universities and so on. It must avoid intervening in the financial and labour markets through employment protections or capital control. Moreover, the government should implement environmental, safety and product standards and enforce anti-trust laws⁴²⁴. Therefore, increasing competitiveness manifests itself through “high and increasing levels of productivity and innovation” which results from two “mutually reinforcing” contexts; the macroeconomic (political, legal, and social) context and the microeconomic (firm-level)⁴²⁵. The role of the government is required in both fields. Since it is only firms, and the way they compete, that should be counted as the ultimate foundation of competitiveness, an effective macroeconomic foundation is “necessary for achieving competitiveness, but not sufficient”⁴²⁶. Thus, the emphasis should be on the microeconomic conditions as they constitute the source of prosperity. Of great significance here is the aspect of labour market regulations which seems to be occupying much of the politics and policymaking surrounding competitiveness, especially when the latter is defined in terms of the productivity of labour and capital as outlined above.

Moreover, in Porter’s framework the role of the government differs at each point of the country’s economic development, from factor-driven, to investment-driven and innovation-driven economy. Therefore, the government need to carry out the task of being a facilitator of achieving the leaps from one phase to the next. The failure to do so results in stagnating competitiveness. What this upgrade entails is an acceptance on the part of the government of “less control over critical elements of the competitiveness agenda”. Hence, the delegation of power to regional and local institutions becomes essential. Moreover, Porter and Ketels argues

⁴²⁴ Michael E. Porter, “The Competitive Advantage of Nations”, *Ibid.* p. 88. Examples of the anti-trust policies are: anti-mergers, anti-alliances, and anti-collusive behaviour. Examples of managed trade are agreements that set quantitative limits on marketing.

⁴²⁵ Michael E. Porter and Christian H. M. Ketels, “UK Competitiveness: moving to the next stage”, p. 18.

⁴²⁶ *Ibid.* p. 19.

that “the most important shift will come from the need to give others, mainly in the private sector, the leading role in competitiveness efforts and in identifying priorities for action”. A strong government grip over the competitiveness agenda will “make success less likely” and will force out “private sector leadership and runs the risk of picking bad priorities”⁴²⁷. The social, economic and political characteristics of each country impacts differently on the performance of firms operating within the country, which results in different “patterns of competitiveness” in every country⁴²⁸. This is what Ades *et al* call structural competitiveness⁴²⁹, which entails that “no nation can be competitive in everything”⁴³⁰.

Finally, for Porter and Ketels, what makes governments important on another level is the legitimacy aspect of the competitiveness policies, “without government involvement, initiatives lack legitimacy and they fail to address those competitiveness issues government policy can directly affect”⁴³¹. Giving precedence to market forces has to be facilitated through socialising competitiveness into society. The privatisation of state-owned companies and welfare cuts are prime examples where the role of the government is significant in legitimising the primacy of market rules, although the latter has represented one of the most heated debates within western democracies.

Garelli’s and Porter’s frameworks draw on similar perceptions with regard to what constitutes the core of international competitiveness. For both, wealth is created by firms rather than countries. Hence, the latter compete not for value creation but for creating the conditions for its production through the provision of competitive national environments. While Garelli’s and

⁴²⁷ Michael E. Porter and Christian H. M. Ketels, “UK Competitiveness: moving to the next stage”, *Ibid.* p. 44. Brian Snowdon and George Stonehouse, “Competitiveness in a Globalised World”, p. 166.

⁴²⁸ Stéphane Garelli, “Is Competitiveness Unfair?”. pp. 8-9.

⁴²⁹ For more details on structural competitiveness, see Alberto Ades, Mark Carney, and Rafael Di Tella, “Competitiveness and the New Industrial Policy”, in World Economic Forum (ed.), *The World Competitiveness Report 1995* (Geneva: IMD and World Economic Forum, 1995), p. 325.

⁴³⁰ Michael E. Porter, “The Competitive Advantage of Nations”, pp. 77.

⁴³¹ Michael E. Porter and Christian H. M. Ketels, “UK Competitiveness: moving to the next stage”, p. 30.

Porter's accounts of the adequate role of the state share similarities, they differ in the importance they ascribe to its role in preserving the social foundation of competitiveness; they both build their frameworks on a combination of macro and microeconomic foundations, but Porter's account seems to favour an approach that places the sustainability of international competitiveness on a solid microeconomic framework that accounts for freeing the market, both labour and capital, from state's control. The discussion that follows in the next section has emerged in response to competitiveness discourse spread by public and private international institutions that, in turn, were heavily preoccupied with the ideas of experts, economists and academics who created the discipline of competitiveness beginning in the 1980s. This is not to argue that Garelli and Porter are the only figures but that their work has gained undue influence as globalising professionals.

5.2. The Competitiveness Discourse and the Neoliberal Rationality of the State

The literature on the impact of international competitiveness on state policies does not diverge much from the arguments made in the TCC literature, by Robinson, Sklair, Gill or Van der Pijl. Except for few accounts, such as Cerny's and Kantola's, most of it centres on depicting the state as being captured by global capital and, thus, that it seeks to serve its interests by adapting their economies to the neoliberal discipline of competitiveness. The state implements standards of competitiveness, thus, in the interest of one class and at the expense of the rest. Such an understanding bears the same problematic, as in the case of the TCC, concerning the role of the state in a capitalist society. It is manipulated, instrumentalised or its role is determined by the economic structure, assuming the separation of the two. Perhaps, to some extent this has to

do with taking globalisation to be a quantitative change rather than a qualitative one, which is even weakened more by the lack of a deeper empirical analysis of how states indeed respond to the competitiveness discourse as a new capitalistic imperative. As argued earlier, whether it is the WEF, other policy groups or international institutions, their influence on state policymaking is undoubted, but to what extent the reality confirms such undue influence is another matter which we approach in Chapter Eight.

As in the case for some economists, the whole discourse of state competitiveness has no grounds in reality, it is a term that concerns enterprises only. Krugman is one the most critical voices with regards to international competitiveness. He believes that competitiveness in reference to a country's success in achieving a certain position in the world economy is a mere "hypothesis" and that competitiveness "as a practical, empirical matter" is dangerous. For him, the logic of competition between firms cannot be applied equally on countries because the bottom line for the former is more critical than the other. For firms, being uncompetitive has the exact meaning as being "unsustainable" which essentially leads to ceasing to exist. In contrast, states do not disappear if they fail to be competitive and their economic problems should not be all attributed to their failure in competition. Given that, he maintains that international competitiveness is an "illusive" concept⁴³². The main point in Krugman's argument is that "the obsession" with competitiveness has turned to be "dangerously" destructive of economic policies. Competitiveness has become a "metaphor" and "rhetoric" used by "world leaders" to "provide a good way either to justify hard choices or to avoid them"⁴³³. It is dangerous because it leads to wasteful government spending, it could trigger protectionist behaviour and it could cause "bad public policy on a spectrum of important

⁴³² Paul Krugman, "Competitiveness: A Dangerous Obsession", *Foreign Affairs*, 37: 2 (1994), pp. 30-31. According to Harbour, Director of Belfast's Centre for Competitiveness, "at the end of the day countries don't compete, companies do", Bob Barbour, Interview with The Author, Belfast, February 11, 2014.

⁴³³ Paul Krugman, "Competitiveness: A Dangerous Obsession", p. 41.

issues” such as welfare programmes and environmental sustainability. Once the doctrine of competitiveness is adopted in a given country, its political leaders become committed to it and “their commitment inevitably sets the tone for policy-making on all issues, even those which may seem to have nothing to do with that doctrine”⁴³⁴. Krugman states that despite the globalisation of trade, our living standards are “overwhelmingly determined by domestic factors rather than by some competition for world markets”⁴³⁵.

Similarly, Aiginger argues that national competitiveness is an elusive and meaningless concept⁴³⁶. He favours a definition of competitiveness that centres on the “ability to create welfare” within the country in order to enhance living standards⁴³⁷. Defining it as such would prevent turning it into a zero-sum game⁴³⁸. He contends that using the term competitiveness “instead of welfare or living standards” shifts the focus to “the economic aspects of welfare, those related to the market process”, those that “can be influenced by economic strategy and policies”⁴³⁹.

Both arguments are perhaps valid ones, especially when looking at the discourses of competitiveness adopted within different contexts. For example, the Group of Lisbon advances an understanding of competitiveness as a zero-sum game. Its underlying principle is that the society today is “engaged in a technological, industrial, and economic war at the global level; hence the main objective is to become strong enough to defeat the competitors”⁴⁴⁰. With such a conception the argument is that “the greater the competitiveness of a firm, region, or country, the greater will be its chance of survival”⁴⁴¹. Not being competitive enough means “exclusion

⁴³⁴ *Ibid.* p. 42.

⁴³⁵ *Ibid.* p. 34.

⁴³⁶ Karl Aiginger, “Competitiveness: From a Dangerous Obsession to a Welfare Creating Ability with Positive Externalities”, *Journal of Industry, Competition and Trade*, 6: 2 (2006), pp. 161-2.

⁴³⁷ *Ibid.*

⁴³⁸ *Ibid.*

⁴³⁹ *Ibid.* p. 171.

⁴⁴⁰ Group of Lisbon, *Limits to Competition*, p. 93.

⁴⁴¹ *Ibid.* p. 94.

from the market, the loss of mastery over the future, and submission to the domination of the stronger”. The socioeconomic well-being of the state and its citizens, and more, “the autonomy of a region, the security and independence of a country or a continent are all dependent on the degree of competitiveness”⁴⁴². To a significant extent triggered by such discourses, many countries have institutionalised competitiveness, albeit in varying manners.

However, the Group realises the setbacks of such representation of competitiveness. Competitiveness turns countries into “*Homo competitors*”; it “reduces the entire process of the human to the perceptions, motivations, and behaviour of *Homo economicus* as *Homo competitor*”. Accordingly, with unfettered competitiveness comes economic and social segregation where the competitive and the uncompetitive, whether people, firms, or states, are discriminated from each other⁴⁴³. Moreover, the very ideology on which competitiveness rests “either ignores or devalues cooperation, or it instrumentalizes it to its own logic”⁴⁴⁴. When the state or the firm become dependent on “the logic of monthly reports”, or become measured against each other, published by some specialised agencies or international organisations, “the myopic intent of shareholders” prevail⁴⁴⁵. Since it ascribes value to the “excellence” of policies, competitiveness “maintains and strengthens structural inequality among regions and within and across countries”⁴⁴⁶. Competitiveness in its current form suffers great weakness; it is “unable to reconcile social justice, economic efficiency, environmental sustainability, political democracy, and cultural diversity in today’s world”⁴⁴⁷.

⁴⁴² *Ibid.* pp. 94-5.

⁴⁴³ For a similar account, and more emphasis on the societal consequences of the neoliberal discourse of competitiveness see William Davis, *The Limits to Neoliberalism: Authority, Sovereignty and the logic of Competition* (London: Sage, 2014).

⁴⁴⁴ Group of Lisbon, *Limits to Competition*, p. 98.

⁴⁴⁵ *Ibid.* p. 101. See also Alberto Ades, Mark Carney, and Rafael Di Tella, “Competitiveness and the New Industrial Policy”, p. 352.

⁴⁴⁶ *Ibid.* Guy Standing presents a very interesting account on the social impact of competitiveness, especially in the area of employment, see pp. 132-154, Guy Standing, *The Precariat: the New and Dangerous Class* (London: Bloomsbury Academia, 2011).

⁴⁴⁷ Group of Lisbon, *Limits to Competition*. p. 105.

The bottom line is that there are “structural limits” to extreme competition. These limits appear when competition is “overruling” in the form of “economic distortion; socioeconomic inequalities” inside and between states, in the form of “the marginalization of large parts of the world”; or in the form of “the concentration of power in largely unaccountable economic units”, like TNCs. Competition between states for global market shares has the same consequences. It leads to “global economic wars”. Furthermore, it “exacerbates the inability of national authorities to address the right priorities at the right national and global level”⁴⁴⁸. That international competitiveness is dangerous, when taken in Porter’s way, perhaps has roots in reality, especially in relation to welfare programmes in western democracies. But to argue that the concept is itself meaningless contradicts the implications of its institutionalisation within the state.

Fougner’s analysis of the power of the competitiveness discourse is an interesting one. He advances an instrumentalist account of the state in relation to the new competitiveness conditionality. He argues that with the rise of this discourse the state is “constituted and acted upon as a flexible and manipulable market actor”. Using competitiveness policies to promote its attractiveness to foreign and national capital turns the state into a “commodified” state where “statesmanship is transformed into salesmanship – not in the old ‘trade mission’ sense of promoting the products and services of ‘national’ firms in external markets, but in the sense of selling the state as a location to globally footloose capital and firms”. In this way, the state develops into a “competitor and entrepreneur operating in a global ‘market for investment’”⁴⁴⁹.

Moreover, such competition between governments has tamed them in a way that they have become oriented towards the production of “goods that owners of capital can use if they invest

⁴⁴⁸ Group of Lisbon, *Limits to Competition*. p. 99.

⁴⁴⁹ Tore Fougner, “The State, International Competitiveness and Neoliberal Globalisation”, p. 180.

within the policy domain of the government”. This orientation, with the accompanying economic policies and institutional framework, are now perceived as immobile “factors of production”⁴⁵⁰. This logic elicits a competition between businesses themselves for the use of these “publicly provided goods”⁴⁵¹. As stated by Fougner, the most certain thing about competitiveness is that its discourse “works politically to (re)produce the state as a competitive entity on a continuous basis”⁴⁵².

Before the 1980s, competitiveness as a governmental problem was centred on the question of “how to improve the capacity of ‘national’ firms to compete with foreign ones”. Hence, international competitiveness was seen as a gear for directing states policies “towards the perceived needs and well-being of national firms with an international orientation”⁴⁵³. However, when the world economy shifted from an “‘inter-nationalist’ to a ‘globalised’” one, it transformed the meaning of international competitiveness⁴⁵⁴. As such, the focus shifts from the capacity of national champions to compete with foreign ones for shares of the product and services markets to the ability of the state to “compete with other states for shares of so-called footloose investment capital”. Hence, the governmental problem that accompanies such a conception is centred on making not firms but the state more competitive⁴⁵⁵. Implied in such an account is the fact that capital becomes global and, hence, enjoys a “(re)locational freedom” the preservation of which is crucial for the neoliberal global governance, it is maintained by a “neoliberal rationality of government”, Fougner argues⁴⁵⁶.

⁴⁵⁰ Stefan Sinn, “The Taming of Leviathan: Competition Among Governments”, *Constitutional Political Economy*, 3: 2 (1992), p. 178.

⁴⁵¹ *Ibid.* p. 179.

⁴⁵² Tore Fougner, “The State, International Competitiveness and Neoliberal Globalisation”, p. 166.

⁴⁵³ *Ibid.* p. 172.

⁴⁵⁴ *Ibid.* p. 173.

⁴⁵⁵ This, according to Fougner is “irrespective of how a so-called competitive state can subsequently be claimed to make firms located on its territory more competitive”, *Ibid.* p. 175.

⁴⁵⁶ *Ibid.* p. 177.

Moreover, although ascribing the agency in embedding the competitiveness discourse to international organisations (IOs), Cammack presents a more compelling account informed by the capitalist social relations of production. He argues that this (re)locational freedom featuring the emergence of capitalism as a global hegemonic system has necessitated the emergence of global regulatory institutions like the WB and the IMF⁴⁵⁷. Today, the latter play key roles in institutionalising the principles of competitiveness and, in doing so, they strengthen the competition state, the aim of which is to maintain a “competitive global capitalist economy”⁴⁵⁸. The role of both institutions has arisen from the recognition that “a genuinely global capitalist system” is inherently contradictory and needs to be addressed at the transnational level by autonomous actors versus an individual state or capitalist interests. Instead of seeing the state as a circuit manager and a political form of class struggle, he, contradictorily, argues that this autonomy is possible given “the institutional distance of the government from the social class control”⁴⁵⁹. In order to lay out an “optimum configuration” to strengthen competitiveness in the global market, the role of these institutions is key. This, Cammack calls the “logic of *accumulation/realisation*”. Another reason for the need for autonomous institutions has to do with the need to reproduce the hegemony of the bourgeoisie over the proletariat, which has to be secured with consent. This he calls the “logic of *legitimation*”. In this way, both accumulation and legitimisation are upheld by social and political means⁴⁶⁰.

In light of this account, Cammack considers the WB project of reducing poverty by half in 2015 to be most relevant to strengthening global competitiveness. That is, it seeks to create a flexible and efficient “global labour market in which the existing proletariat will ‘float’ easily

⁴⁵⁷ Paul Cammack, “The Governance of Global Capitalism: a New Materialist Perspective”, *Historical Materialism*, 11:2 (2003), p. 40.

⁴⁵⁸ *Ibid.* pp. 37-39.

⁴⁵⁹ *Ibid.* p. 41.

⁴⁶⁰ *Ibid.* pp. 41-2.

in and out of work, and the ‘latent’ proletariat ... will be ‘freed’ and fully proletarianised”, and ready to be exploited by global capital⁴⁶¹. Correspondingly, the governance established is one in which each state becomes an agent dedicated to promoting “a regime of competitiveness within each state and across the world market as a whole”⁴⁶². Hence, competitiveness should be seen as a global project imposed on workers, capitalists, governments and international institutions alike by the global system of capitalism⁴⁶³. Therefore, IOs, through their internationally accepted function in setting the general framework of economic policies, seek to create a new global order where labour is contained within capital limits, and where states are constitutive of the “dynamics of competitiveness on a global level”. Therefore, his argument is that states pursue competitiveness both within their countries and within others’ too⁴⁶⁴. From that Cammack infers that there exists an attempt to create a “convergence club” characteristic of the contemporary global political economy; a club in which states are deemed “simultaneously the objects and the agents of convergence”⁴⁶⁵. This club is marked with four chief aspects constitutive of the “politics of convergence”⁴⁶⁶. Firstly, the recognition of the need to develop the “appropriate policy choices” in order to maintain competitiveness.

⁴⁶¹ The creation of a “reserve army of labour available on a global scale at a rate of US\$1–2 per day” which the World Bank attempts to achieve, among other things, save the whole system on the one hand, and secure the hegemony of the bourgeoisie on the other, *Ibid.* pp. 44-5. Most of the initiatives undertaken by the OECD and EU states especially from the beginning of 1990s such as the OECD’s *Going for Growth* initiative and the EU Lisbon Summits should be seen not only as projects seeking to endorse global competitiveness are “class projects aimed at reasserting the power of capital over labour”, Paul Cammack, “The Politics of Global Competitiveness”, *Papers in the Politics of Global Competitiveness*, Manchester Metropolitan University, 1 (2006), pp. 5-6.

⁴⁶² Paul Cammack, “Global Governance, State Agency and Competitiveness: the Political Economy of the Commission for Africa”, *The British Journal of Politics and International Relations*, 8: 3 (2006), p. 346. Good governance also means “the absence of corruption, which can subvert the goals of policy and undermine the legitimacy of the public institutions that support markets”, World Bank, *World Development Report 2002: building institutions for markets* (New York: Oxford University Press, 2002), p. 99.

⁴⁶³ Paul Cammack, “Global Governance, State Agency and Competitiveness”, p. 346.

⁴⁶⁴ Paul Cammack, “The Politics of Global Competitiveness”, p. 1. He gives the example of the role of the EU in this respect through the “Lisbon Process”. Of the regions where the Lisbon Process is functioning is Latin America. The Lisbon process (council) reflects “deliberate ‘Lisbonisation’ of policy-making in the region, Paul Cammack, “Competitiveness and Convergence: the Open Method of Co-ordination in Latin America”, *Papers in the Politics of Global Competitiveness*, University of Manchester, 5 (2007), pp. 4-7. Cammack also points out that OECD and UNCTAD and the WEF are of the institutions that has a huge influence on the region’s policies of competitiveness, *Ibid.* p. 8.

⁴⁶⁵ Paul Cammack, “The Politics of Global Competitiveness”, p. 4.

⁴⁶⁶ Cammack identifies the EU rather than the US as the centre of the formulation and dissemination of the politics of global competitiveness.

Secondly, using benchmarking tools in order to systematically measure performance. Thirdly, the realisation of the importance of national states as “the agents responsible for implementing change”. Lastly, “the insistence that a key part of the task” is for the state to “shape public opinion to the logic of global competitiveness”⁴⁶⁷. Cammack argues that “the political economy of global competitiveness is *simultaneously* systemic and state-centred”, it has to be established globally in order to be functional at the national level⁴⁶⁸.

Cammack concludes that it is “class relations, or class struggle, which shapes both domestic and global politics”⁴⁶⁹. The governments of the advanced capitalist states promote competitiveness within and beyond their borders because they “believe that the disciplinary forces that global competitiveness will unleash are vital to the continued sway of capital over labour in their own economies, and to the continued pressure on capital to seek to be ever more competitive”. While more plausible compared to the others, his account seems contradictory arguing that the government is distant from social class control while at the same time rooting international competitiveness in class struggle. Also, it presupposes an alignment of states’ interest with those of capital for the control of labour. It is true that class struggle shapes the politics of competitiveness, but what the state does in relation is a management of that struggle in the interest of preserving the social order rather than maintaining the “sway” of capital and its hegemony over labour.

Harvey’s analysis of capitalism is useful for capturing the essence of competitiveness. He states that the capitalist mode of production has three key laws. First, capitalism is a “growth-

⁴⁶⁷ *Ibid.* pp.2-3.

⁴⁶⁸ *Ibid.* pp. 4-5.

⁴⁶⁹ Cammack states that it is important to start from “this insight” in order to understand our contemporary world. He affirms that only a “renewed classical Marxism” can do that. However, it must be “more rather than less ‘classical’ in its orientation ... more rather than less focused on the themes of accumulation and the realisation of value through capitalist exploitation”, *Ibid.* p. 13.

oriented” system. Its subsistence depends on economic growth as capital accumulation and profit realisation are only achievable through growth. The “corner stone of capitalism's ideology” is that growth is “both inevitable and good”. Hence, crisis is “defined as lack of growth”⁴⁷⁰. The second law is class struggle and the exploitation of labour, they both lie at the core of economic growth as it is predicated upon “labour control, both in production and in the market place”. And finally, capitalism is a dynamic system based on “leap-frogging innovations” in the pursuit for profit by individual capitalists, which in turn is triggered by “the coercive laws of competition”. Innovations in technology and the organisation of production alter the conditions of class struggle and, therefore, the conditions of the labour market. It is equally important, Harvey argues, that we realize that crisis can be avoided only if these organizational and technological changes are met with a change in the “regulatory system”, namely the political system and its apparatuses⁴⁷¹.

It is this logic that made the position of the state “problematic”, Harvey notes, as it is “called upon to regulate the activities of corporate capital in the national interest at the same time as it is forced”, also in the name of national interest, to deliver a “good business climate' to act as an inducement” to transnational capital, and to prevent “capital flight to greener and more profitable pastures”⁴⁷².

Strange considers the “structural changes” that occurred in the world economy since the 1980s as having “fundamentally changed” the nature of competition between states. That is, the global economy has experienced two shifts. One is a shift in the factors of production from land,

⁴⁷⁰ David Harvey, *The Conditions of Postmodernity: An Enquiry into the Origins of Cultural Change* (Cambridge: Blackwell Publishers, 1990), p. 180. Harvey points out that to reach a steady rate of growth and preserve the system, there are political, social and ecological consequences. These consequences are elaborated in greatest details in the debate about the first and the second contradictions of capitalism, See James O'Connor, “On the Two Contradiction of Capitalism”, *Capitalism, Nature, Socialism*, 2: 3, 1991, pp. 107-9. See also, James O'Connor, “Is Sustainable Capitalism Possible?”, In Martin O'Connor, (ed.), *Is capitalism Sustainable?: Political Economy and the Politics of Ecology* (London: The Guilford Press, 1994). For more information about the social and political consequences see Jürgen Habermas, *Legitimation Crisis* (London: Heinemann, 1976).

⁴⁷¹ David Harvey, *The Conditions of Postmodernity*, p. 180.

⁴⁷² *Ibid.* p. 170.

labour and capital to technology and second from producing for national markets to servicing the need of the global market⁴⁷³. Specifically, the imperative of being competitive for states is derived also from the fact that production factors have acquired free mobility status due to the spread of neoliberal policies⁴⁷⁴.

It was territories that constituted the main target for state competition in the past as they represented pools of exploitable resource crucial for national wealth creation. Today, states compete for a share in the global market. Territory, Strange contends, is “no longer the major determinant of success in the competition between states”⁴⁷⁵. However, unlike Harvey, her analysis is centred on a separation between the state and the market. The structural change in the global economy shifted the power from the state to the market. The new competition environment has made states less powerful in relation to mobile capital where they have to “often offer greater inducements, waive more rules and demands, to a foreign firm to enter its territory than it will to a native one to stay”⁴⁷⁶. Namely, this structural change in the rules of competition made states “hollow, or defective, institutions” because their ability to tax and regulate has simply declined⁴⁷⁷. Her account, although has some truth to it in terms of the impact of the above shifts on the state’s management of the economy, takes no consideration of the relationship between capital and labour as a determinant of the changes in the global economy and the rules of competition. Neither does it take an account of how this relationship is related to the state. Competitiveness has not turned the state into a “defective” or “hollow” entity, it rather is a form of political management of the class antagonisms of the market.

⁴⁷³ Susan Strange, “The Defective State”, *Daedalus*, 124: 2 (1995), p. 63.

⁴⁷⁴ Herbert Giersch, “Schumpeter and the Current and future Development of the World Economy”, in Helmut Frisch (ed.), *Schumpeterian economics* (New York: Praeger, 1982), p. 59.

⁴⁷⁵ Strange, “The Defective State”, pp. 55-6.

⁴⁷⁶ *Ibid.* p. 60. For a similar account see John Stopford, and Susan Strange with John S. Henley, *Rival states, Rival Firms: Competition for World Market Shares* (Cambridge: Cambridge University Press, 1991), p. 1, p. 66 and p. 215.

⁴⁷⁷ Strange, “The Defective State”, p. 57 and p. 60.

Stopford rightly argues that the way in which states devise their competition strategies has become affected by “the emergence of new forms of global competition among firms”. The investment in technology and new management techniques has affected the way companies choose their investment territory. Their decision will go to countries that offer greater return on investment. Therefore, the state constantly adapts to forms of competition pursued by businesses⁴⁷⁸. The demand for a profitable investment environment affects the way governments manage their economies in order to attract investment. Primarily, “the administrative capacity” of both states and firms “has now become an important determinant of who can gain most from the changes in the world economy”⁴⁷⁹. In this way, a competition state is an “outward-looking” one, a state with a “greater reliance on the private sector” which transfers the state from being an “owner of public enterprises to being a regulator and partner of dynamic private enterprises”⁴⁸⁰. States had to turn themselves into “entrepreneurs to make their economies more responsive”⁴⁸¹. Competition led both the state and enterprises to restructure their relation to the labour market, the former in order to help capital reproduce itself in an economy based on technological innovation by adapting the labour market through flexibility and skills as will be demonstrated in Chapters Seven and Eight.

Cerny also offers a plausible account that situates the global changes within the microeconomic sphere of governance. His “competition state” explains well the new state “problematic” that results in a change in its “architecture”⁴⁸². Primarily driven by “the greater density and complexity” of global economic and political interconnectedness, the state reacts to these new

⁴⁷⁸ John Stopford, and Susan Strange with John S. Henley, *Rival states, Rival Firms*, p. 1.

⁴⁷⁹ *Ibid.* p. 2.

⁴⁸⁰ Jannik Lindbaek, and Rischard Jean-Francios, “Agility in the New world Economy”, *Finance and Development*, 31: 3 (1994), p. 35.

⁴⁸¹ *Ibid.* p. 34.

⁴⁸² Philip G. Cerny, *The changing architecture of Politics: structure, agency, and the future of the state* (London: Sage, 1990), p. 204.

conditions in either a “traditional” or an “innovative” way, he states. However, he perceives this change to be prompted by “international factors”, which shape the objectives and strategies of states to the extent that all “the games which they play, and the way that those games are clustered, are to a greater and greater extent transnational games by definition”. Yet, contrary to the common belief that the transnationalization of the state leads to the weakening of national identities, he contends that they are in fact “strengthened at the same time by the rigors of competition”⁴⁸³. Rather than causing a decline of its power, Cerny argues that these changes have led to the “emergence of the state as a *commodifying agent*”. Within the new global context, the state “is having to act more and more like a market player, that shapes its policies to promote, control, and maximize returns from the market forces in an international setting”⁴⁸⁴.

For Cerny, what is important about the new state architecture is that it is grounded in “microeconomic interventionism”, which is revolves around the “operationalization of ‘industrial policy’”, rather than on a macroeconomic one. That is, the new interventionism of the state is effectively a response to new “competitive conditions” of the global market rather than emanating from the pursuit of preserving and developing national strategic industries, which used to be the source of a nation’s comparative advantage. More importantly, this development impelled an adjustment in the core of national politics to become more concerned with managing the economy in a way conducive to success of the enterprise at the expense “maximization of welfare within a national society”⁴⁸⁵.

Similarly, Palan *et al* argue that the state is not in decline with the rise of neoliberalism, but it is responding to new global conditions by formulating competition strategies aimed at

⁴⁸³ *Ibid.* p. 220.

⁴⁸⁴ Cerny argues that the new role of the state as a competition state was characteristic of the period so called primitive capitalism and the mercantilist era. *Ibid.* p. 230.

⁴⁸⁵ This according to Cerny will have considerable “ramifications for liberal democracy”, *Ibid.* p. 205 and p. 222.

enhancing their competitive advantage in the global economy⁴⁸⁶. For them, this institutionalization of competitiveness within the state system represents the salvation of the state from its “Fordist contradictions”⁴⁸⁷. The latter, as argued in Chapter Three, was characterised with inflexible and protected labour market that reached its limits early 1970s and manifest in slow economic growth and high unemployment rates. Building on that they argue that globalization is a “qualitative” change rather than quantitative⁴⁸⁸. Above all, they point out that although a convergence towards one model of the competition state is underway, there is no “single universal model of a competition state emerging”. States do not pursue the same policies as they don’t have identical priorities given that their class struggle conditions are different and thus their relationships to capital and labour are unique.

Palan *et al* contend that every state integrates to the world economy selectively. This selectivity is a way of shielding themselves from undesired exposure to external forces. This is not a strategy employed by an inward-looking or a protectionist state. On the contrary, it has been deployed by open economies with “extensive liberalization” programmes⁴⁸⁹. The “shielder” states reach this position by:

dualizing their economies and integrating with the world market ... while compensating for the regressive impact of unfettered market forces. The latter is principally achieved by protecting specific sectors of their economy and by employing the welfare state as a massive distribution mechanism of the benefits such openness can yield⁴⁹⁰.

⁴⁸⁶ Ronan Palan, Jason Abbott and Phil Deans, *State Strategies in the Global Political Economy* (London: Printer, 1996) p. 6, There are three phases in the relationship between capitalism and the “territoriality” of the state. In the earlier phase, capitalism “was truly transnational, largely dis-engaged from the state-system”. What followed is a phase in which capitalism “increasingly takes on a ‘national’ form ... this phase reached its zenith around the 1870s”. After that a third phase starts where the capitalist enterprises “burst their national boundaries and became ... increasingly global”. The extension of the latter phase signalled in the developments of the 1970s is “what we call globalization”. *Ibid.* pp. 17-9.

⁴⁸⁷ *Ibid.* p. 19.

⁴⁸⁸ *Ibid.*

⁴⁸⁹ *Ibid.* p. 105.

⁴⁹⁰ For its opponents, welfare is seen as “essentially internal arrangements, introverted, and if anything, oblivious to the demands of an increasingly competitive world market”. *Ibid.*

This is despite the fact the welfare policies were seen as hindering rather than enforcing international competitiveness, he later notes. This dualism has generated “a surprising mixture of competitiveness and innovation combined with a commitment to preserve tradition and cultural values”⁴⁹¹. The shielder-state model is mainly a European model, exemplified in the German and Swedish systems, and still present in some of Anglo-Saxon countries, albeit to a lesser extent.

The implication of this depiction of the state is that any crisis of the system signifies the “growing incapability” of the shielder-model states to balance “competitiveness with this commitment to preserving ‘tradition’”, the latter understood in relation to Garelli’s economy of proximity. This “incapability” appears as a pressure “emanated from a growing divergence between capital and labour – undermining the very compromise which is at the heart of these societies”⁴⁹². Rather than being a “coordinated response” to global economic changes, the competitive strategies of the competition state, which constitute “the infrastructure of globalization”, have evolved as a “result of localized responses, largely determined by local conditions, specific socio-economic compromises, sectoral interests and so forth”. The competition state, therefore, “may only survive as long as states do not seek to revolutionize or destroy the system but merely to manoeuvre within it”⁴⁹³. This is exactly the argument towards which this thesis is oriented. Although the competitiveness discourse of the WEF, especially with its focus on the microeconomic foundations of competitiveness, aims to establish a competition state that is built on the dismantling of the welfare state as an obstacle for growth and higher living standards, no state has so far taken this extreme. Many of the state’s policies

⁴⁹¹ *Ibid.* p. 107.

⁴⁹² *Ibid.* p. 118.

⁴⁹³ *Ibid.* p. 121.

have changed, but it is the socio-economic conditions of the nation that defines its response to the competitiveness imperative⁴⁹⁴.

The point is that international competitiveness has not been applied as argued above in the discourse. That is, states have actually developed localised responses to competitiveness. In order to solve the economic, political and social difficulties, competitiveness has been readjusted to the national structure of the relationship between labour, capital, and the state. For example, in Germany, Kantola states, competitiveness “has been used to unite the nation on the tripartite level as a way to continue the German model of tripartite national consensus”. Thus, addressing problems of unemployment, economic growth and so on is done on a tripartite basis⁴⁹⁵. Building on this, he argues that globalisation involves “an increasing homogeneity between social institutions and norms” because states are now required to “harmonize” these institutions to attract capital⁴⁹⁶.

The engagement of nations in competitiveness strategies is closely linked to their role in enhancing the prosperity of their people⁴⁹⁷. The state’s central role in relation to competitiveness is to guarantee “that the value created by firms will, in one way or another, contribute to the prosperity of people”. This role is a “delicate” one which “cannot be tilted excessively one way or the other without running the risk of social destabilisation”⁴⁹⁸. As pointed out by Garelli, state policies are always changing according to the changes taking place in the society. For example, “if the population demands more social welfare and protection, it

⁴⁹⁴ For an account of the impact of the competitiveness of global policy groups on social protection in the EU, see Bastiaan van Apeldoorn, “European unemployment and transnational capitalist class strategy: The rise of the neo-liberal competitiveness discourse” in Henk Overbeek (ed.), *The Political Economy of European Employment* (London: Routledge, 2003), p. 114.

⁴⁹⁵ Anu Kantola, “Transforming political imaginaries”, p. 15.

⁴⁹⁶ *Ibid.* p. 17.

⁴⁹⁷ Garelli defines prosperity as “a combination of income, standard of living, and quality of life”, Stéphane Garelli, *Top Class Competitors*, p. 58.

⁴⁹⁸ *Ibid.* p. 114.

can have a direct impact on the taxation of enterprises or on labour legislation”. On the other hand, if companies focus their business operations outside the country, this impinges on state revenues, employment rates and skill development in the society. In both cases competitiveness is affected⁴⁹⁹. In an evaluation of how much learning is done on the part of the government regarding international competitiveness, Dreznek of the WEF notes that:

the government is recognising increasingly and probably more openly the interconnection between the different areas of policies; economic policies have an impact on social policies and on environmental policies and that actually you need to have a realistic approach to all of this in order to be able to balance them in a way that provide higher wellbeing, to increase well-being of the population⁵⁰⁰.

Therefore, to increase their competitiveness, states need to “systematically” analyse how their policies, legislations and regulations impact upon the growth of their economy. Besides, a “strongly competitive” state is one that takes on “a certain degree of partnership between local business and the government” in devising its strategy of competitiveness⁵⁰¹. Garelli argues that “a permanent, open, and efficient relationship between the business community and government policy makers is essential for competitiveness”. Government, business and labour leaders should develop “a system of industry sector agreements which guarantee a conflict-free environment for a certain number of years until they are renegotiated” like that in Germany, Switzerland, and Sweden. Thus, achieving competitiveness largely depends on the states being successful at answering the following question: “*What is the most suitable relationship between business and labour for the development of competitiveness?*”⁵⁰².

⁴⁹⁹ In the 1970s, a “change in the value system of the population in most industrialised nations” forced states and firms to be “sensitive to new issues such as social welfare, environmental protection, gender, racial, and minority discrimination, diversity, and work–life balance”, *Ibid.* pp. 114-5.

⁵⁰⁰ Margareta Drzeniek, Interview with The Author, October 16, 2013.

⁵⁰¹ Stéphane Garelli, *Top Class Competitors*, p. 81.

⁵⁰² *Ibid.* p. 83.

Indeed, it is to this question that states adhere when designing their competitiveness policies. By definition, their role in the management of class struggle dictates their approach to international competitiveness. The discourses they design and communicate to the public are manifestations of the conditions and the intensity of class struggle as well as to maintain the reproduction of capital within their economies. Their competitiveness policies are designed in a way that would immobilise mobile global capital within their jurisdiction by offering the best investment environment that allows continuous exploitation of labour and reproduction of capital. States respond to the competitiveness discourse as a way of managing this relationship between capital and labour. They each have a distinct relationship with global capital on this basis.

Conclusion

In this chapter I have argued that the competitiveness discourse designed by the globalising professional of the WEF, as a TCC site, have informed the academic debate on international competitiveness. Although this discourse is a medium through which the TCC attempts to communicate its power, as argued in Chapter Four, I have shown, however, that there exists no fixed theoretical approach to international competitiveness. Rather, there are multiple approaches that share a degree of common ground, yet diverge in their account of the optimal framework for achieving sustainable competitiveness. That is, while all discourses of competitiveness responsiblize the state with a certain role in order to maintain its international competitiveness in a global capitalist system and, thus, maintain continuous capital accumulation, their consideration of the importance of the social foundation of competitiveness vary. While Garelli calls for a role of the state that strikes a balance between economic efficiency and social cohesion significant for the sustainability of competitiveness, Porter sees

this target realised by solely focusing on the microeconomic foundations of competitiveness that is best achieved by freeing the economy from state intervention that accounts for catering beyond the competitiveness of the enterprise. Based on that, there exists no one hegemonic competitiveness discourse and the WEF's discourse is one among other national and global discourses. There has been no evidence to support the argument, made in the academic literature discussed above, that the role of the globalising politicians of the TCC, state managers here, is complementary to that of globalising professionals of the Forum. While the WEF could be perceived off as a powerful policy group given the type of audience it attracts and the activities it holds, the interests of its attendants and participants are not identical. The interests of TNCs, globalising professionals and the consumerist elites seem to be more convergent whereas the interests of state managers are derived from their role and responsibility of reproducing and managing capital-labour relations nationally and on the global market. Thus, they are not part of the TCC or a member of the Forum. Rather, they have to engage with its activities and discourses as a form of managing class struggle within its jurisdictions.

Also, I have demonstrated how these two positions on competitiveness are reflected in theoretical and empirical studies in the debate on the impact of the discourse of international competitiveness on the state's social and economic policies. Most of the debate perceives the discourse to have impacted negatively on the state, turning it into a market player that is manipulated and instrumentalised by global market forces such as the WEF. Specifically, that the changes in the global economy that accompanied the rise of neoliberalism have activated a change of the role of the state targeted at maintaining the hegemony of capital over labour necessary for a competitive global capitalist system. The WEF's discourse is probably meant to perform this function. However, I argue against such a depiction of the impact of the global competitiveness discourse on the state. The adoption of competitiveness standards by the state is a response to the need of reproducing class struggle in their home economies, which is

achieved through the management of capital-labour relations beyond the state political territories. The latter allows the reproduction of social relations of production within their jurisdictions. Therefore, state managers adapt competitiveness standards to the national conditions of the relationship between capital and labour, their competitiveness standards are a product of these conditions. Thus, there is no convergence in the ways states respond to the competitiveness challenge. Most importantly, I have pointed out that rather than deriving the influence of the discourse from national political debates over competitiveness rankings, an adequate analysis should firstly engage critically with the competitiveness reports published by global policy groups such as the GCR of the WEF. Such an undertaking provides a more accurate account of reality by pointing out the difference between what these reports try to achieve on the one hand and how states actually respond to the competitiveness challenge in reality. It is to this end that we turn in the next chapter.

Chapter Six

The Global Competitiveness Report: The Discursive Power of the WEF

The previous chapter illustrated how the discourse on international competitiveness has become embedded within academic as well as national political debates. Globalising professionals of the TCC such as Garelli and Porter have had a greatest influence on the content of the debate through their role of developing the, yet, most sophisticated theoretical framework of international competitiveness. Moreover, their contribution is of significant importance in the way it has shaped the WEF's competitiveness discourse, which has turned it into an authority on the topic today for both business and state leaders. I have argued that, today, the Forum's power originates from being not only an expertise community but also from being a discursive formation that seeks to project its influence through its competitiveness and other discourses. While this influence cannot be denied, outlining the Forum's structure and the roles played by both globalising professionals, on behalf of the Forum, and globalising politicians

suggests a conclusion different from the one assumed in the TCC and international competitiveness literatures. There exists no complementarity of tasks or interests between TNCs, professionals, politicians and other groups involved in the Forum's activities. Simply, the state does not constitute a part of the TCC although it has always influenced its development through the national management of the circuits of capital as well as the global accumulation of capital.

More importantly, the academic debate on international competitiveness lacks the empirical depth necessary to solidify its findings. That is, rather than basing the discussion on how much influence the competitiveness discourse has on the state's policymaking, an adequate analysis requires a closer engagement with the discourse itself as produced by its agents. The engagement with the GCR's discourse provides fertile ground for a thorough analysis of the role of the state in relation to the international competitiveness discourse. It also allows an extension of the current debate, which is largely shaped by deterministic and instrumentalist depictions derived from country rankings in competitiveness reports. That is, changes and developments in national policy-making is a mere reflection of state rankings and the Forum and other institutions reporting on international competitiveness determine the nature and scope of these changes and developments. They instrumentalise the state through their reports. However, from an Open Marxist perspective, I have contended that the competitiveness discourse is a moment of class struggle, a form of the management of capital-labour relations by the state aimed at the reproduction of the social relations of production. Therefore, its adoption of a competitiveness discourse represents a form of management of that struggle and a response to the imperative of maintaining the circulation of capital within its jurisdictions necessary to the reproduction of both capital and labour.

As will be shown in Chapter Eight, governments have begun to internalise the WEF's discourse, among other discourses, into its evidence-informed policy-making process.

However, this by no means indicates that the Forum's discourse as a whole becomes internalised within the state. Rather, each state responds to the discourse selectively and this selectivity is conditioned by the national conditions of class struggle. Thus, a closer analysis of both the GCR and the competitiveness discourse internalised by the state will allow for a useful comparison to be drawn between the two, thus highlighting the extent of influence the WEF's has on the state. It illustrates more clearly the role of politicians as circuit managers and reveal more of the dynamics that characterise the process of reproducing the social relations of production within state jurisdictions.

This chapter takes stock of the GCR as a discursive holder of the Forum's power and a tool of its power projection. It intends to analyse the (re)configuration of the role of the state within the WEF's GCR competitiveness discourse between 1979 and 2014 in order to be able to highlight the development occurred in the Report since its inception. Firstly, it places the GCR within the historical context of its emergence and examine the imperatives leading to its publication. By doing so, it will highlight how the accumulation of material power resulted in the birth of ideational power at the Forum that is manifest in the production of the GCR. Secondly, it sheds light on the main components of the report and the developments it has undergone in terms of coverage and methodology. As it will be shown, these developments were brought about by more concentration of material and ideational power underpinned by changes in the socio-economic national and global conditions.

Finally, the chapter will narrow down the focus to mainly map out the way in which the state has been attributed certain responsibilities within such discourse. This will be done through analysing the role of the state within; 1) The factors of competitiveness designed by the Forum as a 'formula for national prosperity'; 2) the macroeconomic and microeconomic methodological frameworks underpinning such formula. By doing so, the chapter will identify the role ascribed to the state within the competitiveness discourse produced by the WEF itself

and, thus, differentiate between what the discourse entails specifically and what the academic debate has made of it thus far. As I will show in Chapter Eight, the role of the state as depicted by the Forum's discourse is different from the one assumed by the state in practice, which again confirms the OM assumptions of the thesis and refutes those of other accounts viewing the state as being instrumentalised by capital or reducing its functions to mainly being determined by the economic structure of the capitalist society.

It will argue that the WEF's discourse clearly draws a framework for state action that is considered necessary for maintaining its international competitiveness. However, it will be demonstrated that its discourse has shifted from the orthodox framework, which is macroeconomic-oriented, to another that is based on embedding competitiveness within the society through emphasising the need for microeconomic reforms as the source of the nation's prosperity. This highlights that such a shift represents a focus on the responsibility of the state in containing the labour power and guaranteeing its flexibility as a necessary condition for sustainable economic growth.

6.1. The GCR and the Making of the Discourse on Competitiveness

Since its early years and mainly in response to the economic and social developments and challenges faced Europe in the 1970s, 'being competitive' was the central aim and buzzword that has preoccupied the Forum's members until today. Competitiveness will undoubtedly be central to its agenda in the future as long as capitalism and its contradictory mode of production dominate the global economic system. While the Forum's annual meetings were set to discuss the challenges facing the European economies and their companies, solving Europe's problems

necessitated more than one annual meeting at Davos⁵⁰³. In addition to expanding the networks with business, state, and trade unions leaders, in 1979 the WEF took the decision to capitalise on its accumulated economic, business and social knowledge generated by its experts, members and networks. It initiated a series of reports on the competitiveness of European industry that by the mid-1980s has changed to reports on international competitiveness⁵⁰⁴. Later on, its coverage stretched beyond Europe and its competitors extended to include more economies.

Until the late 1980s, the GCR was a special and private service provided by the Forum to its members to present them with an opportunity to take a snapshot of the global economy and the competitiveness status of its individual national economies. This was seen as vital for their strategic planning, investment decisions, and their very survival. Given the Forum's desire to project its influence through its discourses outside its annual meetings and summits, the GCR has been made available for free to all the interested parties. States, companies, trade unions, NGOs, academics, business research centres have become consumers of such knowledge for various reasons, which will be explored further in Chapter Eight. As noted by Schwab, at the inception of the GCR, competitiveness had not yet gained much attention worldwide. Therefore, when looking back today one can tell that the GCR "truly broke new ground"⁵⁰⁵.

The GCR was first called *the Report on the Competitiveness of the European Industry*. It was changed in the mid-1980s to *Report on International Competitiveness* and was only named the Global Competitiveness Report in 1996. This change reflects a strategic shift in the Forum's life from being a European organisation founded primarily to solve Europe's problems to becoming a global organisation concerned with the health and competitiveness of global

⁵⁰³ At the heart of the problem was an information gap that stemmed from outdated management techniques put at play in Europe's enterprises since the end of WWII. This drawback was regarded responsible for a declining competitiveness and thus a sluggish economic growth in European countries.

⁵⁰⁴ The Forum cooperated with multiple public and private organizations for the compilation of the collected data; the OECD, the European Commission, and WHO, to mention a few.

⁵⁰⁵ Klaus Schwab and Juan Rada, "Preface", in WEF (eds.), *The World Competitiveness Report 1991* (Geneva: The World Economic Forum, 1991).

capitalism as a whole in order to maintain continued economic growth and capital accumulation⁵⁰⁶. The first report was produced in 1979 on the tenth anniversary of the Forum and was meant to serve “as the background document” for the 1979 annual meeting theme; “An Agenda for European Business Leaders: International Cooperation, Productivity and Social Commitment”. These three objectives were the catchwords of the time and were seen by Davos’s participants as “vital ingredients” of the competitiveness of European businesses.

In short, enhancing competitiveness necessitates business experiences to be exchanged and cooperation to be established among Europe’s chief executives⁵⁰⁷. The social, economic, and political environments of a country interplay in the background; they define the way those executives interact and form a basis on which corporate present and future strategies are formulated. This background is determined to a great extent by the nature of class struggle that defines the state’s approach to economic management and thus the country’s relationship with global capital. Therefore, the priority for the European economies and enterprises, as stressed in the first report, should be given to answering key questions such as; what is the competitive position of their economies and industries? How can they stay competitive in relation to competitors? And how can they become competitive in the first place? These questions were seen as crucial because failing to answer them would put the future of Europe in risk as maintained in the reports. The circumstantial premises within which these questions were raised were characterised by “new international economic order, industrial restructuring, technological breakthroughs, and leaps in social expectations”⁵⁰⁸. All of these conditions

⁵⁰⁶ Until 1989, the GCR was distributed to the Forum’s members and participants of the Davos Symposium. However, it was also sold to other interested but non-member companies for 1800 Swiss francs (1126 US dollars then).

⁵⁰⁷ Klaus Schwab, “Preface”, in EMF (eds.), *The Report on the Competitiveness of European Industry 1979* (Davos: European Management Forum, 1979).

⁵⁰⁸ EMF, “Introduction”, in EMF (eds.), *Report on the Competitiveness of European Industry 1979*, p. 4

necessitate a new course of action on the part of the state and thus a new form of economic stirring of the economy.

The WEF emerged as a response to this new environment and challenges of which the lack of knowledge on competitiveness seemed highly problematic. To this end, “in autumn 1978, the idea to produce a study on the competitiveness of European industry was crystallized from earlier brainstorming within the Forum, and the project was given the green light for execution during 1979”⁵⁰⁹. Schwab notes that publishing competitiveness reports serves as a dynamic base for “thinking about global competitiveness” and “may help to launch the necessary actions leading to a less protectionist world”⁵¹⁰ that rose as a serious challenge both in and outside Europe during the 1970s and 1980s.

The first competitiveness report covered 16 countries, compared to 148 in 2014. It was planned to examine the “competitive situation” of industries in those countries with an intention of drawing a comparison between them and the rest of the world in future reports in order for Europe to benchmark itself against its competitors⁵¹¹. The challenge at its commencement was to investigate the factors that constitute the competitiveness of Europe. Such a challenge was deemed existential for Europe’s survival as evident in the following statement from the first report: “our future will depend on our competitiveness, on our ability to discern the elements that will determine competitiveness tomorrow and on the rapidity with which we can formulate appropriate practical measures”⁵¹².

⁵⁰⁹ *Ibid.* p. 92.

⁵¹⁰ Klaus Schwab, “Preface”, in WEF (eds.), *The EMF’s Report on International competitiveness 1985* (Davos: World Economic Forum, 1985), p. 3.

⁵¹¹ These countries are: Austria, Belgium/Luxembourg, Switzerland, Federal Republic of Germany, Denmark, Spain, France, Great Britain, Greece, Italy, Ireland, Norway, Netherlands, Portugal, Sweden, and Finland.

⁵¹² EMF, “Introduction”, *The Report on the Competitiveness of European Industry 1979*, p. 4

The information gap to which the Forum has attempted to respond does not only apply to the lack of innovative business management techniques or the waning competitiveness of European companies. Rather, it is also genuinely linked to threatening shortcomings of all European stakeholders. As stated ubiquitously in the reports, governments in Europe fell far short from providing the necessary conditions which would make European companies more competitive on the global market. More specifically, the embedded Keynesian welfare system in Europe represented a serious obstacle to a competitive Europe. Hence, the ‘big governments’ of the time were blamed for the sinking of European economies and, therefore, this out-of-date governance structure had to be dismantled. Moreover, trade unions then had an excessive bargaining power in corporate governance, which affected the management of the European enterprise negatively. That is, the rigidity of the European labour market in terms of wage bargaining, inflexibility and unskilled labour force endangered the profitability of business and, hence, the sustainability and competitiveness of European companies deemed as the source for growth, prosperity and higher living standards. It is principally these reasons that required a new course of action on the part of the government that the GCR attempts to deliver.

Despite Schwab’s belief that it is the creative entrepreneur that survives and succeeds even within less favourable national environments, the final judge is the market-place. Schwab argues that “the non-competitiveness of enterprises in countries at the top of the ranking may imply an unnecessary waste of resources and indicate to governments that structural changes should be facilitated”.⁵¹³ These changes, as will be discussed below, are more necessary at the microeconomic levels than the macro since the former is primarily where class struggle has to be managed in a way that enable capital to reproduce itself.

⁵¹³ Klaus Schwab, “Preface”, in WEF (eds.), *the EMF’s Report on International competitiveness 1985*, p. 3.

The Forum believed that these problems were not entirely realised by politicians nor by trade unionists. Change was felt crucial by businesses while governments and trade unions were reluctant to employ structural changes. When considering the larger picture, the Forum's revolutionary project has focused on bringing all three main parties together and on bridging the three gaps in order to overcome Europe's challenge. The fundamental backwardness in Europe was reflected in the lack of awareness of the significance of stakeholders' partnership and collaboration. The GCR speaks primarily to such deficiency and seeks to raise the necessary awareness among all stakeholders that a successful and profitable business is a competitive and sustainable business, one which brings about growth, employment and prosperity to all. Thus whatever hinders the creation of such environment should be eliminated. The politics of consensus were deemed a failure and the power of labour had to be reduced.

Ten years from 1979, Schwab and Abell celebrated the Forum's triumphal approach represented through the GCR when they stated that "as more and more corporate leaders recognize the influence of the economic and political environment, and as political leaders strive to provide the most fertile ground possible for corporate success, this report provides a valuable frame of reference"⁵¹⁴. By 1985, the Forum believed that the GCR had become a "well-known and appreciated tool for assessing the opportunities and drawbacks of various national business environments relative to the other key players in the international competitiveness race"⁵¹⁵. This reveals that the GCR is taken to be a framework for action and a practical ground of judging the soundness of such actions. It is the national environments and the governmental actions that the GCR is set to correct and it is the mindset of national

⁵¹⁴ Klaus Schwab and Derek Abell, "Preface", in WEF (eds.), *the World Competitiveness Report 1989* (Geneva: World Economic Forum, 1989).

⁵¹⁵ EMF, *the EMF's Report on International competitiveness 1985*, p. 17

policymakers that it longs to ameliorate in order to produce such soundness and readiness. It is here where the heart of the GCR project lies.

In the next section I turn to the Forum's definition of the GCR and its factors of competitiveness. Moreover, I will shed light on the changes that these factors have undergone from 1979 until 2014. My primary objective is to map out the role ascribed to the state in the composition of each factor in order to reach an understanding on how integral the state is for enhancing national competitiveness from the WEF's perspective.

6.2. Competitiveness Formula: the State's Framework of Action

GCR is not an academic study based on rigorous economic laws. Nor does it set out to test a theory. Rather, it identifies - on the basis of the FORUM's unique contacts with industry and on the basis of lengthy consultations with business experts - those factors which have a significant determining influence on competitiveness and appraises each country's performance on these factors to arrive at a final competitiveness⁵¹⁶.

The study of competitiveness as a management model essentially relied on surveying the opinions of business leaders and experts both within and outside the Forum. However, as will be shown in the methodology section, this preliminary claim that dates back to 1980, has changed considerably in recent years. The GCR has become heavily centred on academic input

⁵¹⁶ Michael de Verteuil et al, "Introduction", in EMF (eds.), *Report on the Competitiveness of European Industry 1980* (Davos: European Management Forum, 1980), p. 5.

derived from the “rigorous economic laws” that the Forum claim to avoid⁵¹⁷. Factors of competitiveness have principally become the artefact of academic research.

Nonetheless, this is not to say that competitiveness has changed with this academic transformation. In the beginning, it was concerned with the “survival of the free-enterprise system” and it still is very much so today⁵¹⁸. Although the accumulated knowledge on competitiveness that flows from structural developments within the global economy have induced changes into the methodology, the Forum’s competitiveness has always been about international competitiveness, not regional or city-level competitiveness⁵¹⁹. As stated by the Forum in 1990, the GCR is a “multidimensional analysis of how national environments are conducive or detrimental to the domestic and global competitiveness of enterprises operating in those countries”⁵²⁰. International competitiveness is a function of efficiency, productivity and excellence of entrepreneurs – this was the case in the late 1970s, and it is today and will most likely be so in the future.

It should be also noted that the methodological changes underlying the development of the GCR did not break with the Forum’s existential dogma, which is stakeholderism. In 1989 Goestchin rightly argued that “present and future competitiveness is certainly a consequence of the calibre of people, of the politico-social milieu and of the physical environment”⁵²¹. Still, this cannot be seen as separate from the fact that “competitiveness comes in layers”, according

⁵¹⁷ This will be shown in greater details in the methodology section of this chapter.

⁵¹⁸ EMF, “Introduction”, in EMF (eds.), *Report on the Competitiveness of European Industry 1980*, p. 4.

⁵¹⁹ The WEF’s Global Agenda Council of Competitiveness, inspired by the GCR, initiated a study on city competitiveness but the main focus of the Forum is still national competitiveness. Regional and city competitiveness studies are common practices nowadays, examples in the UK are Cardiff’s Centre for International Competitiveness that publishes reports on Regional Competitiveness and the Economist Intelligence Unit that produces reports on Global City Competitiveness.

⁵²⁰ WEF, “Introduction”, *the World Competitiveness Report 1990* (Davos: World Economic Forum, 1990), p. 8.

⁵²¹ Pierre Goestchin, “Competitiveness Development in Europe”, in WEF (eds.), *the World Competitiveness Report 1989*, p. 47.

to Garelli. Competitiveness is built on the sectorial, national and international layers. Competitiveness is determined by the ability of the enterprise to manage its interaction with these layers⁵²². Indeed, it is this feature of the study of GCR at the Forum that distinguishes it from other studies of competitiveness.

Modifications introduced into the methodology of the GCR and its definition of competitiveness are matters that should be perceived in relation to the changing social, economic and political global environments from 1979 to the present day. This contextualising is necessary in order to improve our understanding of the adaptation of the GCR's factors of competitiveness. The effects of these changing environments are registered within the methodology in two ways: firstly, the integration of up-to-date academic research on economic growth and competitiveness, and secondly, through the changes in businesses' perceptions of these environments⁵²³. It is also registered in the emphasis of the microeconomic foundations of competitiveness over the macroeconomic ones as the ultimate source of competitiveness. The pressing social, political and economic realities of the 1980s, that is, high unemployment, the threat of protectionism and the need for maintaining the competitiveness of the European countries in the world economy, made the study of competitiveness indispensable for the Forum⁵²⁴. To a large degree, these reasons continue to form the backdrop against which such a study is justified today.

6.2.1. Factors of Competitiveness

⁵²² Stephane Garelli, "What is World Competitiveness", in WEF (eds.), *The World Competitiveness Report 1990*, p. 5.

⁵²³ Since its inception the Forum believed that part of competitiveness is "a perception" and "no study on it can claim to be fully scientific, WEF, *World Competitiveness Report 1989*, p. 9.

⁵²⁴ WEF, "Introduction", *the EMF's Report on International Competitiveness 1985*, p. 6.

Factors of competitiveness are defined and affected by the activities of governments, businesses and labour and have a significant impact on their interactions with the social and economic, and political conditions in society. These pillars represent inputs, arguably, available at the disposal of all the actors of a certain national economy. However, the government is left with the lion's share of responsibilities compared to other actors. These inputs can be utilised to generate profitable outputs—growth, employment and higher living standards. Nevertheless, varying levels of productivity exist at which the utilisation of such inputs occurs, which is reflected in variable degrees of competitiveness for individual national economies. From the Open Marxist perspective, this has much to do with the nature of the relationship between the state, capital and labour and, thus, the level of labour flexibility and exploitation taking place in the economy.

Some of these inputs are conditioned by the global market such as capital flows while other inputs are produced mainly nationally such as labour market regulations. The impact of some of the criteria included in the factors is felt only in the long-term, such as spending on R&D and education, while the impact of changing labour cost and productivity, for example, have more direct effect. Some of these criteria can be controlled by the enterprise and others are far from its control like natural resources.⁵²⁵ The relative importance of these inputs differs among countries depending on their level of economic development and their value changes over time. For example, with globalisation the value given to education, information technology, or labour skills and flexibility has most certainly augmented.

⁵²⁵ Augusto Lopez-Carlos et al, "Politics and Institutions Underpinning Economic Growth: Results from the Competitiveness Indexes", in WEF (eds.), *Global Competitiveness Report 2005-2006*, pp. 3-5.

More importantly, factors of competitiveness have become thought of as the levers for policy reform and with which competitiveness becomes “the conduct of well-conceived economic programs” rather than a “volatile phenomenon”⁵²⁶. Yet, this does not mean that “a country can *necessarily* grow rapidly if it reorients its policy to score high on the criteria listed in the *Global Competitiveness Report*”. Neither does this re-orientation represent a guarantor for economic growth. Rather the GCR and its drivers of competitiveness are “helpful to know which variables have been most strongly correlated with recent growth rates” and also to “help identify specific impediments to growth”⁵²⁷. The GCR is a guide that provides “useful diagnostic insights” for growth potential⁵²⁸.

A quick glimpse at these factors will enable us to see the logic of their groupings. I will present the factors in their historical development in order to highlight the continuity and change they have endured. A holistic picture of the components of the factors will be presented to explain their role in building up the competitiveness of nations, and most importantly to grasp a sense of how is the state being situated within each factor.

6.2.1.1. The First Competitiveness Formula, 1979-1991

Despite some terminological changes, the following factors were presented as principles of international competitiveness in 1979 and effectively remained the same until 1991;

1) Dynamism of the Economy

⁵²⁶ Klaus Schwab, “Preface”, in WEF (eds.), *The World Competitiveness Report 1997*.

⁵²⁷ Peter K. Corneluis, Jennifer Blanke and Fiona Pua, “The Growth Competitiveness Index: Recent Economic Developments and the Prospects for Sustained Recovery”, in WEF (eds.), *Global Competitiveness Report 2002-2003*, p. 18.

⁵²⁸ Joseph R.D’ Cruz, “Diagnosing National Industrial Profiles”, in WEF (eds.), *the World Competitiveness report 1989*, p. 192.

- 2) Industrial Efficiency and Cost of Production
- 3) The Dynamics of the Market
- 4) Financial Dynamism
- 5) Human Resources
- 6) The Role of the State
- 7) Infrastructural Dimension
- 8) Outward Orientation
- 9) Forward Orientation
- 10) Socio-political Consensus and Stability⁵²⁹.

1) The Dynamism of the Economy

Considered as “the first prerequisite of industrial competitiveness”⁵³⁰, it assesses the dynamism of the economy as a determinant of the level of investment in the country. Specifically, this factor surveys transparency, efficiency and stability of the country’s legal and administrative frameworks in enforcing the rule of law and contracts and protecting property rights. These features affect investment decisions and determine the ways in which the benefits and costs of development policies in the country are distributed. To reach such an assessment, it measures the performance of the economy in terms of short- and medium-term GDP growth prospects, which depends largely on: the adequacy of the government’s monetary and fiscal policies,

⁵²⁹ In 1985, although factors remained largely the same, the terminology was slightly altered. 1. *Dynamics of the Economy*. 2. *Industrial Efficiency*. 3. *Dynamics of the Market*. 4. *Financial Dynamism*. 5. *Human Resources*. 6. *State Interference*. 7. *Natural Endowment*. 8. *Outward Orientation*. 9. *Innovative Forward Orientation*. 10. *Socio-Political Consensus and Stability*. For further information on their composition see the *EMF’s Report on International Competitiveness 1985*.

⁵³⁰ EMF, “Tables and Commentary”, *the Report on the Competitiveness of European Industry 1979*, p. 17.

productivity and value-added within the economy, capital formation, and private consumption⁵³¹.

The state is present here through its active role in providing an adequate macroeconomic and regulatory framework. This consists of the growth of domestic capital formation required for long-term competitiveness; free competition in the domestic market, which is necessary to improve the economic performance of the country and the strengthening of competitiveness in domestic companies abroad⁵³². In short, this factor denotes the evolution of the overall macroeconomic environment of a country, which is principally made by the government⁵³³. As stated by Sala-I-Martin of the Forum;

The government cannot provide services efficiently if it has to make high-interest payments on its past debts. Running fiscal deficits limits the government's future ability to react to business cycles. Firms cannot operate efficiently when inflation rates are out of hand. In sum, the economy cannot grow in a sustainable manner unless the macro environment is stable⁵³⁴.

In 1996, this type of assessment was done under the civil institutions factor⁵³⁵. The innovativeness of this factor under the new formula came from its response to changing social and environmental conditions where the government's role was extended to the following: guarantee a level of compatibility between environmental laws and corporate competitiveness;

⁵³¹ Other criteria that reflect the economic strengths of a country are; industrial performance, production performance in selected industries, performance of key sectors of industry, tertiary sector performance, the size and growth of the service sector, and public infrastructure. On the basis of the results of this assessment the report provides economic forecasts in terms of the likelihood of a near-term recession and the future evolution of GDP.

⁵³² WEF, *the World Competitiveness report 1989*, p. 192, WEF, *The World Competitiveness Report 1992*, p. 13.

⁵³³ How to read criteria included in this factor? Per-capita GDP is taken as an indication of the sophistication of a country's economy. If manufacturers have a large share in the GDP, this signifies the fact that the economy is geared towards the need of the industry. When the volume of trade is large, it means the country's economy is sound. The growth of a country's GDP reflects an increasing dynamism of the economy and signals a future positive status of the country.

⁵³⁴ Xavier Sala-I-martin et al, "the Global Competitiveness Index 2013-2014: Sustaining Growth, Building Resilience", in WEF (eds.), *the Global Competitiveness Report 2013-2014*, p. 6.

⁵³⁵ For further details on the methodology used in 1996, see the "Methodology section" by Fredrick Hu, Head of the Research Team, in WEF (eds.), *the Global Competitiveness Report 1996*, pp. 36-39.

prove an adequate adaptability to new economic challenges; tackle corruption; preserve the security of people and property, as well as ensuring political stability.

In the 2004-5 formula, the criteria composing this factor were grouped under two new factors: institutions and macroeconomic environment. With regards to institutions, its newness originates from the importance ascribed to institutions, especially during and after the 2007-8 financial crisis. As stated by Sala-I-Martin, institutions have a crucial role in “further solidifying the fragile recovery, given the increasing role played by the state at the international level and for the economies of many countries”. Economic growth is conditioned upon the approach adopted by the government towards freedom and efficiency of market forces. Therefore, everything that stands in the way of a free and well-functioning market economy has to be minimised. Thus, the key role of the government is to reduce bureaucracy and red-tape, abolish overregulation, enhance transparency and credibility by fighting corruption and increasing its honesty about public contracts, and to manage public finance properly so as to preserve the confidence in the national business environment ⁵³⁶.

2) Industrial Efficiency

This concerns the efficiency and productivity with which economic and human resources are utilised within the economy. It principally covers all corporate cost structure. The role of the government is to ensure the following through corporate and income taxes: regulation of the labour market in terms of the adjustment of wages to productivity levels, the length of the working day, and social contribution requirements of employers and employees. All of these

⁵³⁶ The institutions considered here cover also private, corporate, institutions. They have to maintain good governance in terms of honesty, transparency and avoiding mismanagement and fraud in order to ensure trust from investors and consumers, Xavier Sala-I-Martin et al, “The Global Competitiveness Index 2013-2014: Sustaining Growth, Building Resilience”, p. 4-5.

bear largely on corporate profit, investment, cost of living and inflation. In sum, flexible regulations of the labour market influence corporate profitability and thus the rate of investment⁵³⁷.

3) Dynamism of the Market

This factor reviews the wealth, structure and the sophistication of the national market. The national market conditions, along with the strategies deployed by companies, are at the centre of analysis in this factor. The premise shaping the composition of this factor is that companies operating within the national economy need to be subjugated to national market forces in the first place in order to improve their international competitiveness. Accordingly, the government is accorded greater responsibilities in four main areas. Firstly, the government has to put in place and enforce a set of effective anti-trust policies in order to secure free market competition. Secondly, it has to lift all price controls and leave price determination to the laws of the market. Thirdly, the liberalisation of public procurement is significant to allow efficiency and transparency. Finally, the government has to minimise sales tax because national prosperity is measured in per-capita consumption.

With the methodological update of 2004-2005, some of criteria and focus adopted in the dynamism of the market were grouped under a new factor: *Goods Market Efficiency*. By then, the GCR still placed a great emphasis on market freedom as a fundamental part of the struggle to competitiveness. The frequency with which terms like ‘free’ and ‘healthy’ market competition are repeated and the role assumed by the government as outlined above are of

⁵³⁷ EMF, “The Major Components of Competitiveness”, in *the EMF’s Report on International Competitiveness 1985*, p. 41.

particular significance. With the new methodology adopted in 2004, Sala-I-Martin contented that embracing the same discourse necessary:

Healthy market competition, both domestic and foreign, is important in driving market efficiency... The best possible environment for the exchange of goods requires a minimum of government intervention that impedes business activity. For example, competitiveness is hindered by distortionary or burdensome taxes and by restrictive and discriminatory rules on foreign direct investment (FDI)—which limit foreign ownership—as well as on international trade⁵³⁸.

4) Financial dynamism

This factor focuses on the level of development in the country's financial environment, its banking system and stock market. It studies the financial market effects on private consumption and saving behaviour and considers whether or not savings and other financial resources are channelled to the most productive investments with the highest expected profit. This factor is centred on evaluating the heavy hand of the government in relation to its fiscal, financial, monetary and regulatory policies. In particular, it investigates the severity of monetary policy with regard to money supply; government debt and budget deficit and their impact on interest rates and the resulting government interference in the financial market; the effectiveness of the financial regulatory framework, with respect to yielding an efficient and smooth credit allocation, financial stability and investor protection; and finally the freedom of capital mobility within and across borders. In short, the government has to set up a stable, efficient, flexible and credible national financial framework, one that meets the needs of businesses.

5) Human resources

⁵³⁸ It also depends on demands conditions like buyer sophistication and customer orientation, Xavier Sala-I-martin et al, "The Global Competitiveness Index 2013-2014: Sustaining Growth, Building Resilience", p. 6.

This factor examines the structure and the education level of the population. It looks into the competitive advantages of a country's workforce in terms of skills, motivation, flexibility, age structure and health. Investment in the provision of health services and basic education is regarded crucial for increasing the quality and efficiency of the workforce, which in turn facilitates the efforts of companies to upgrade their value chain towards the production of capital-intensive products⁵³⁹. The role of the state centres on delivering health services and spending on basic and higher education and training in order to increase the capacity and skills of the workforce to respond to the changing requirements of the production system and the needs of a competitive economy. Its influence is also evident in the marginal tax rate on personal income. The principles, criteria and ideas adopted here form the centre of analysis for factors such as health and primary education, higher education and training in the 2004-5 formula.

6) The Role of the State

Designating one separate factor to the study of the role of the state makes considerable sense, but also comes with little surprise when surveying the responsibilities of the state within all the other factors. This factor assesses the extent to which state policies are conducive to the competitiveness of enterprises working in the country. It focuses on the flexibility of the government in adapting its economic policies to the changes in the global economic environment.

The state's involvement in the economy is measured through: national debt, official reserve, government's share of total expenditure and employment, control of industry, the legislative and regulatory environment, efficiency and transparency, environmental protection,

⁵³⁹ *Ibid.*

agricultural policies, monetary and fiscal policies, tax rates and social security contributions imposed on business, nature of the competitive environment, socio-political stability in terms of the popular support for government policies, justice and security. The critical argument here is that, on the one hand, little state interference means more competitiveness. However, on the other hand, the state should also intervene in the economy to provide predictable macroeconomic and social conditions in order to minimize external risk. This factor was developed into the ‘government’ factor in 1996, which added to the government’s responsibilities an emphasis on the quality and efficiency of government services and interventionist policies of taxation, regulation, and spending.

7) Infrastructural Dynamism

This factor analyses the development of infrastructure in terms of quality and quantity, self-sufficiency in energy and raw materials, consumption and procurement. It lays a heavy weight on the government in serving the needs of business through the provision of adequate and efficient infrastructural projects, taking into consideration its future needs and through effectiveness in managing the use and allocation of public energy resources and procurement⁵⁴⁰. A well-developed infrastructure is regarded as a condition to economic growth. The same principles are reiterated under the same factor in 1996 and 2004.

8) Outward orientation

Expressed also in terms of ‘internationalisation’ and ‘openness’ in 1991 and 1996 respectively, this factor is founded on the principle that firms and their operating environments must be internationally-oriented. In short, this is the presence of a country’s enterprises in foreign markets as exporters and investors, which signal their potential competitiveness. Yet, it also

⁵⁴⁰ This factor was replaced with the Natural Endowments factor in 1985 with the aim of studying the availability and efficiency of its utilisation by the economy. However, infrastructure was brought back in again in 1991.

means national receptiveness to imports and inward investment that adds a necessary level of pressure for these enterprises to maintain or enhance their competitiveness. Furthermore, trade legalisation in the country should be conducive to developing long-term competitiveness.

Based on this, the desirable role of the government is to support the internationally-oriented activities of companies and enhance the integration of the national economy to the global market. Specifically, the state plays an active role through; exchange rates, trade protectionism, providing incentives for investment abroad, trade liberalisation, government support for corporate procurement abroad in addition to foreign partnership and allowing foreign majority shareholdings in national enterprises. However, the government's promotion of exports through subsidies for example is considered counterproductive and a source for trade distortion and a cause of ineffectiveness in the world economy⁵⁴¹.

However in 1996, openness, as a substitute for internationalisation and outward orientation, began to profoundly extend its attention to the impact of governmental practices regarding the opening up the national economy and fostering the links with the global market. Its role stretched to the following areas: boosting its support to international activities of companies in the long-term through trade policies; undertaking sufficient measures to promote regional trade integration; minimising the exchange rate volatility in the short-term, reducing the severity of immigration laws with respect to the prevention of the employment of foreign skills, improving the equality of investment incentives for foreign and domestic investors; guaranteeing equal accessibility of capital markets to both domestic and foreign companies; enhancing government regulations in relation to the freedom of foreign investors' in acquiring corporate control in domestic companies and allowing foreign companies to bid on public sector contracts.

⁵⁴¹ WEF, "The Major Components of Competitiveness", in *EMF's Report on International Competitiveness 1985*, p. 68.

9) Forward Orientation

Also called ‘technology’ and ‘technological readiness’ in 1991, 1996 and 2004, this factor examines the scientific and technological capacity of the country regarded as a prerequisite for sustainable prosperity. It is considered “the key to the future” and the foundation of “tomorrow's competitiveness”⁵⁴². It is through long-term objectives, innovativeness in products and services, production technology and management, R&D, training of human resources and patents that a country can reach sustainable competitiveness and growth.

Towards such aim, “governments must encourage these endeavours ... and foster the regeneration of the business community”⁵⁴³. Governments improve the country’s competitive position in this regard through financing R&D and facilitating and promoting research collaboration programmes between businesses and universities, supporting the firm’s endeavours to redeploy resources from declining to high-growth sectors, and most importantly, the protection and generation of property rights home and abroad and expanding public support for the creation of new-technology enterprises.

10) Socio-political stability:

A country’s socio-political stability was and still is a chief concern for the business community. This factor assesses political stability, industrial relations, and the reliability of the judicial system, the threat of nationalisation, general prosperity and employee’s satisfaction as well as corporate credibility. The government’s role is to maintain political and social stability. This can be achieved through; unemployment benefits, distribution of income and property, enhancing confidence in the administration of justice and the system in general, preventing an

⁵⁴² EMF, “Tables and Commentary”, p. 75.

⁵⁴³ WEF, “The Major Components of Competitiveness”, *the EMF’s Report on International competitiveness 1985*, p. 66.

arbitrary expropriation of personal/corporate assets, guaranteeing the security of individuals and their property, and balancing political power in terms of parliamentary control of the government⁵⁴⁴. This factor has inspired the composition of other factors in 1991, 1996, and 2004 as we will see below. However, the role of the government has changed in relation to employment benefits, as the latter was seen disruptive to labour market flexibility in later reports.

6.2.1.2. The 1991 Competitiveness Formula

The 1979 formula was modified in 1991 and reduced to an eight-level criteria. However, the major change has to do more with discourse than with essence⁵⁴⁵. The only factors that are relatively new in 1991 are the ‘management’ and ‘people’ factors. Therefore, we will focus on these two here.

- 1) Domestic Economic Strength
- 2) Internationalization
- 3) Government
- 4) Finance
- 5) Infrastructure
- 6) Management
- 7) Science and Technology

⁵⁴⁴ Also measured is: people’s confidence in the political system and government policies, the material well-being calculated in purchasing power and the working time needed to purchase certain goods, and the extent to which workers participate in the management decision making process.

⁵⁴⁵ Domestic economic strength remained unchanged, Internationalisation replaced outward orientation, government replaced the role of the state, finance replaced financial dynamism, infrastructure replaced natural endowments, and science and technology substituted forward orientation. The management factor and people factor combined criteria from multiple factors included in the previous list (the ten-factor formula).

8) People

The 'management' factor borrows most of the criteria from the 'industrial relations' 'the dynamism of the market' and 'socio-political stability' factors of 1979. It investigates the extent to which an enterprise is managed in an innovative, profitable and responsible manner. Therefore, it looks into: the quality of management, public credibility of Managers, customer orientation and product and service quality, business efficiency and flexibility in responding to changes in the business environment, ability to harness new opportunities implement competitive strategies, enterprise productivity, labour-cost and productivity, corporate profit, workers compensation levels, labour abstention, safety at work, social responsibility, industrial relations and wage levels⁵⁴⁶.

The 'people' factor reiterates most of the criteria included in the previous 'human resources', 'industrial relations', and 'socio-political stability' factors. That is, it specifically focuses on the evaluation of the availability and qualifications of labour, the quality of the educational structure of the country in terms of meeting the demands of a competitive economy, the employment structures, workforce attitude in terms of labour flexibility and industrial relations, the country's quality of life⁵⁴⁷.

6.2.1.3. The 1996 Competitiveness Formula

In 1996, another shift occurred in the factors as a result of the academic turn in the Forum's endeavour towards identifying the reforms required for Europe and the world in order to build

⁵⁴⁶ A good number of criteria are borrowed from 'the dynamism of the market', 'socio-political stability', 'innovative forward orientation', and 'industrial efficiency' factors.

⁵⁴⁷ Domestic economic strength, people, and infrastructure constitute the economy of proximity while internationalisation, management, technology, and finance form the economy of globality. These two economies we discussed in our fourth chapter.

a model for sustainable competitiveness. Jeffery Sachs, an economist of Columbia University, joined the Forum's research efforts and introduced the Competitiveness Index under which eight factors were grouped in the following way⁵⁴⁸:

- 1) Openness
- 2) Government
- 3) Finance
- 4) Infrastructure
- 5) Technology
- 6) Management
- 7) Labour
- 8) Civil Institutions

In 1996, in addition to ranking countries on each factor of competitiveness, the Forum introduced four “performance indicators” to enhance its assessment of national competitiveness. These indicators are: GDP, population, GDP per capita, and GDP as a share of world GDP⁵⁴⁹. Specifically new here is the designation of a specific factor for labour to examine the efficiency and competitiveness of domestic labour market. However, it repeats many of the factors included in the ‘industrial relations’ and ‘socio-political stability’ factors. The main point highlighted here is that flexible labour market with low labour tax and smooth industrial relations support economic growth. This factor forms the basis of the ‘labour market efficiency’ factor in 2004.

⁵⁴⁸ In the methodology section of the report, Fredrick Hu the Head of the research team notes that among the eight factors of competitiveness five of them which are: openness, government, labour, finance and civil institutions proved by evidence to be more important for economic growth compared to the other three factors: infrastructure, technology and management. The latter are more “elusive” because it is harder to measure their effect let alone the long term feature of such effect. Fredrick Hu, “Methodology”, in WEF (eds.), *the Global Competitiveness Report 1996*, p. 37.

⁵⁴⁹ It is important to note that these indicators point to the effects of a fast growing economy and not the causes of economic growth.

6.2.1.4. The 2004-2005 Factors of Competitiveness

Finally, in its latest major methodological shift the WEF adopted a twelve-factor formula for competitiveness in 2004. This time, the change is primarily the invention of two American economists, Xavier Sala-I-Martin and Michael Porter. Factors of competitiveness now include:

- 1) Institutions
- 2) Infrastructure
- 3) Macroeconomic environment
- 4) Health and Primary Education
- 5) Higher Education and Training
- 6) Goods Market efficiency
- 7) Labour Market Efficiency
- 8) Financial Market Sophistication
- 9) Technological Readiness
- 10) Market Size
- 11) Business Sophistication
- 12) Innovation⁵⁵⁰.

Most of these factors effectively replicated the criteria, principles and the state responsibilities outlined above. Consequently, there will be little discussion outside a select few of the above twelve factors. Within the 'labour market efficiency' factor, efficiency and flexibility of the

⁵⁵⁰ These factors were slightly formed differently in 2004 but they were finalised in this way in 2007. To give an idea, here is the 2004 version of the twelve-factor formula: 1. Institutions. 2. Physical Infrastructure. 3. Macroeconomic Stability. 4. Security. 5. Human Capital. 6. Goods market efficiency. 7. Labour Market efficiency. 8. Financial Market Efficiency. 9. Technological Readiness. 10. Openness and Market Size. 11. Business Sophistication. 12. Innovation.

labour market have become the buzzwords, which to some extent reflect the microeconomic shift of the focus in the report. These two, coupled with the appropriate incentives given to workers, are necessary requirements to reach effectiveness in the use of labour within the economy. It was stressed that the labour markets:

must therefore have the flexibility to shift workers from one economic activity to another rapidly and at low cost, and to allow for wage fluctuations without much social disruption... Efficient labor markets must also ensure clear strong incentives for employees and efforts to promote meritocracy at the workplace, and they must provide equity in the business environment between women and men⁵⁵¹.

The ‘market size’ factor is studied in relation to the impact the size of the market could have on productivity given its effect on economies of scale. The ‘business sophistication’ reviews the quality of a country’s overall business networks, given its importance in enhancing business efficiency and increasing its opportunities for innovation in products and process. Moreover, the presence of business cluster and the quality of the national business environment reduces the cost of entry for new firms. The other side of the coin is derived from the sophistication of firm operations and strategies with regard to branding, marketing, distribution, advanced production processes, and the production of unique and sophisticated products⁵⁵². The ‘innovation’ factor was ascribed great importance since 1979⁵⁵³. This is evident in the following statement by Sala-I-Martin:

⁵⁵¹ Xavier Sala-I-Martin et al, “The Global Competitiveness Index 2013-2014: Sustaining Growth, Building Resilience”, p. 7.

⁵⁵² The national business environment and the sophistication of business operations and strategies are the basis of Michael Porter’s Diamond framework which we will explain later in the methodology when discussing the microeconomic foundations of competitiveness. For more information see also, Ibid. p. 8.

⁵⁵³ Innovation was stressed as a solution to fluctuating exchange rates in the European market in general whereby some companies could relief the pressure caused by disadvantageous price environment. Innovative upgrade is considered the source of rise in output, productivity, employment and exports, EMF, “Competitiveness in Perspective”, *the Report on the Competitiveness of European Industry 1979*, pp. 10-12.

Although substantial gains can be obtained by improving institutions, building infrastructure, reducing macroeconomic instability, or improving human capital, all these factors eventually run into diminishing returns. The same is true for the efficiency of the labor, financial, and goods markets. In the long run, standards of living can be largely enhanced by technological innovation⁵⁵⁴.

In short, innovation is central to achieving higher productivity and thus sustainable competitiveness and growth. When productivity is enhanced, it impacts positively upon the population's living standards. It is seen as an important condition on which competitive advantage rests today⁵⁵⁵. Its attainment requires; high-quality inputs, such as highly skilled and an educated labour force; the presence of supporting context for investment in soft assets and competition among companies for this type of investment; effective demand conditions that leads companies to predicting future needs and improving the quality and sophistication of products and services; and finally, the presence of suppliers and related industries that fosters the flow of ideas and skills and turn technology into practice⁵⁵⁶. Within such a context, the state is expected to perform the following tasks: effectively protect property rights; retain scientists and engineers; offer tax credits for the R&D in the private sector and to maintain an effective competition policy. In addition, the government plays a leading role through subsidising R&D and procurement of advanced technology products⁵⁵⁷.

⁵⁵⁴ Xavier Sala-I-Martin et al, "The Global Competitiveness Index 2013-2014: Sustaining Growth, Building Resilience", p. 8.

⁵⁵⁵ Innovation is understood in terms of the transformation of knowledge and expertise into new products and process as well as services. Michael E. Porter, "Innovation Capacity and Prosperity: the Next Competitiveness Challenge", in WEF (eds.), *the Global Competitiveness Report 1999*, pp. 54.

⁵⁵⁶ Countries are ranked on an Innovation Index based on one main distinction; the source of company's technology, imitation or pioneering. The national innovative capacity is measured through the national innovative capacity index designed by Porter and Scott Stern of Northwestern University. For more details, see Michael E. Porter and Scott Stern, "National Innovative Capacity", in WEF (eds.), *The Global Competitiveness Report 2001-2002*, pp. 102. The correlation between economic growth was also examined in Warner's Creativity Index, see Andrew Warner, "Economic Creativity", in WEF (eds.), *The Global Competitiveness Report 2000* (Davos: WEF, 2000), pp. 29-37.

⁵⁵⁷ For a detailed account see Michael E. Porter and Scott Stern, "National Innovative Capacity", pp. 102-118.

However, the twelve-factor, and the resulting ranking, have been contextualised differently in the report. Beginning in 2001, Porter introduced a new innovative ground into the methodology that was later strengthened by Sala-I-Martin. Countries were divided into three stages of economic development. Based on this invention, factors of competitiveness obtain varying levels of importance for different countries. Thus, a country's stage of economic development defines which factors are more critical to maintain its competitiveness. Consequentially, this affects the country's economic priorities⁵⁵⁸.

There are mainly three stages of economic development that need to be taken into account when measuring international competitiveness today. First, the resource-based stage, low-income countries, where growth is achieved through the utilisation of unskilled labour and natural resources. This stage is characterised by low productivity and low wages where companies compete on price and basic products. Therefore, maintaining competitiveness depends on meeting the criteria outlined in the first four factors of the twelve-pillar formula. The second stage is efficiency-driven, middle-income countries, in which integration to the global economy is achieved through FDI, outsourcing, and joint ventures. During this stage, investment centres on the adoption and harnessing of global technologies into domestic production. Countries at this stage are marked by rising productivity and wages and rising product quality. Thus, competitiveness is improved by doing well on the next six factors. The third stage is innovation-driven, high-income countries, where growth is sustained through the use of sophisticated technology and innovation. At this level, wages are usually high and continuous innovation becomes crucial. Therefore, 'business sophistication' and 'innovation'

⁵⁵⁸ Differences in the levels of economic development were the main reason why the Forum Ranked the OECD countries separately from the newly industrialising before 1994, see EMF, "Methodology", *The EMF's Report on International competitiveness 1985*, p. 206.

are considered the most important for countries situated in this stage⁵⁵⁹. To add more clarity to this idea, the argument put forward by Porter *et al* is particularly significant:

Seeing economic development as a sequential process of building not just macroeconomic stability but also interdependent factors such as quality of governance, societal capacity to advance its technological capability, more advanced modes of competition, and evolving forms of firm organizational structure, helps to expose important potential pitfalls in economic policy. To evolve successfully through different levels of development, key parts of the economic environment must change at appropriate times. Lack of improvement in any important area can lead to a plateau in productivity and stalled economic growth⁵⁶⁰.

Therefore, countries that fail in improving their competitiveness when they cannot overcome challenges in one stage of development, will also fail to upgrade to the next. Successive upgrading from one stage to another “often requires new ways of organizing governments, markets, and enterprises...shifts in both macroeconomic policy and microeconomic business structure are necessary”⁵⁶¹. Therefore, the role of the government has to be adjusted to accommodate certain priorities at each stage. At the factor-driven stage, the government has to offer political and macroeconomic stability, to guarantee free and open market, to provide basic health care, and competitive exchange rate that supports exports. In the second stage, the government has to constantly improve infrastructure and regulatory conditions like tax, customs and company laws in order to help integrate the country into the global market. The

| ⁵⁵⁹ Stages and factors: | basic factors | efficiency factors | innovation-driven |
|------------------------------------|---------------|--------------------|-------------------|
| Factor-driven | 60% | 35% | 5% |
| Transition to stage 2 | 40-60% | 35-50% | 5-10% |
| Efficiency-driven | 40% | 50% | 10% |
| Transition to stage 3 | 20-40% | 50% | 10-30% |
| Innovation driven | 20% | 50% | 30% |

Allocating countries is done based on two criteria: GDP per capita and exports of natural resources out of overall exports. For more info see Xavier Sala-I-Martin et al, “The Global Competitiveness Index 2013-2014: Sustaining Growth, Building Resilience”, pp. 10-11.

⁵⁶⁰ Michael E. Porter, Jeffrey D. Sachs, and John W. McArthur, “Executive Summary: Competitiveness and stages of economic Development”, in WEF (eds.), *The Global Competitiveness Report 2001-2002*, p. 17.

⁵⁶¹ *Ibid.* p. 18.

government has to deliver a universal secondary education and tertiary education and a flexible labour market. At the final stage, the government has to foster high rate of innovation through collaborating with private sector in R&D, higher education, improved capital market and regulatory framework and to support the start-up of high-tech enterprises.

In short, what distinguishes this latest phase of methodological change is the way in which the role of the government is perceived nowadays. Michael Porter's statement below reflects such development:

The literature suggests that, within normal parameters, the overall size of government (and implicitly the level of taxes) is less important than the way government spends money (government efficiency) and the way taxation is structured (distortiveness and bureaucratic burden of taxes).⁵⁶²

All the factors of competitiveness are connected and mutually enforce each other. They are all designed to measure various facets of the cost-structure of doing business in a certain country. The main cost that cannot be afforded within neoliberal capitalism is one that results from a minimal role of the state in the traditional sense. That is, from all of the above analysis, it is very difficult to imagine the whole entire formula of competitiveness working without an active, but specific, role for the government.

6.2.2. Methodology and Factors: A changing formula for a changing world

Since its launch, the GCR has always been more than a mere ranking of countries based on their performance at the factors believed to determine their competitiveness as many academics

⁵⁶² Michael E. Porter et al, "Moving to A New Global Competitiveness Index", in WEF (eds.), *The Global Competitiveness Report 2008-2009*, p. 46.

and policymakers may believe. This popular perception suffers from the lack of a thorough and critical analysis of the GCR. As we have discussed in Chapter Four, the report has embodied an arena for debating wide array of issues concerning various aspects of the global economy. It has particularly served as a locus where ideas pertaining to the study of international competitiveness has been tested and reconfigured over time. This in turn has resulted in paradigm shifts in the methodology designed to measure it. The methodology has undergone several major and minor amendments that are reflected the changing perceptions of competitiveness and the optimal ways of its assessment. This mirrors the continuously reflective mindset held by the Forum's competitiveness experts as well as its receptiveness to the latest academic innovation in the fundamentals of economic growth.

At first, competitiveness was mainly concerned with industrial competitiveness defined as “a measure of the immediate and future ability of industrialists to design, produce and market goods whose various price and non-price attributes combine to form a more attractive package than those of similar products offered by competitors”⁵⁶³. The task was to “select only those criteria of competitiveness that have a bearing - direct or indirect – on an industry's ability to compete internationally”⁵⁶⁴. In collaboration with academics, business experts and the Forum's participants overall, the GCR studies the factors that lead enterprises within a country to become more competitive compared to other countries. Achieving this is made possible through building a welfare-like national environment for enterprises as the agents responsible for delivering welfare to people.

⁵⁶³ EMF, “Competitiveness in Perspective“, *Report on the Competitiveness of European Industry 1980*, p. 12. For more details on this account of competitiveness see the same page.

⁵⁶⁴ EMF, “Methodology”, *Report on the Competitiveness of European Industry 1979*, pp. 92-3.

A few years later, in recognition of the increasing role that other economic sectors playing in GDP growth, the 1985 the GCR's focus of competitiveness was extended to cover all entrepreneurs instead of the industrialists only⁵⁶⁵. Moreover, competitiveness has become defined in both present and future terms. This goes in line with the Forum's approach that a country's ranking should "be viewed not only as a reflection of present competitiveness but also as an indicator of the basic soundness and longer-term ability of industry in the survey countries to remain or become competitive"⁵⁶⁶.

As has been pointed out earlier, the selection of the factors and their criteria was originally based on cooperation between the Forum and its contacts. This consists of members, participants and networks, in short, mainly business leaders. However, the Forum's expansion of its consultation spheres and cooperation with academic experts has paved the way for the (re)construction of a substantial part of the methodology. Similarly, the data from which the methodology is constructed has widened to include a wide variety of sources with national governments and IOs accounting for most of the hard data and a smaller amount of data provided by private organisations such as Institutional Investor. Moreover, the Forum derives over one-third of data from the executive opinion survey that it conducts annually in collaboration with partner institutes all over the world⁵⁶⁷. Over time, however, the survey data has become the basis of more than half of the criteria constituting the pillars of competitiveness⁵⁶⁸. In the following sections, I will shed light on the macroeconomic and

⁵⁶⁵ The definition of competitiveness changed into: "the immediate and future ability of, and opportunities for, entrepreneurs to design, produce and market goods and services within their respective environments whose price and non-price qualities form a more attractive package than those of competitors abroad or in domestic markets", EMF, "Introduction", *The EMF's Report on International competitiveness 1985*, p. 6.

⁵⁶⁶ *Ibid.* p. 7.

⁵⁶⁷ Given the double-sourced data, each country's competitiveness was evaluated on two scoreboards: the competitiveness scoreboard and the executive business confidence scoreboard. Until the early 1990s, due to the lack of uniform statistical data and the different bearing certain criteria have on different countries such as population growth, countries covered were divided into two groups: industrialised and newly industrialising.

⁵⁶⁸ This executive opinion survey takes the form of questionnaires sent to business leaders within each country to evaluate the country's performance on certain criteria. Respondents were mainly companies' chief executives,

microeconomic foundations of competitiveness through an analysis of the various indices developed within the GCR to enhance the assessment of international competitiveness. The aim of such an endeavour is to strengthen our analysis of how the state has been ascribed various responsibilities in the international competitiveness discourse. More specifically, I will assess the implications of the prominence of microeconomics within the GCR with respect to the role of the state and its form of managing the capital-labour relations. This shift towards microeconomics underlies the focus on the labour factor as the most important determinant of competitiveness, specifically with regards to flexibility and skills.

6.3. The Academic Turn in the GCR: the Macro- and Micro-economic Foundations of Competitiveness

The adjustments applied to the factors of competitiveness outlined above mirror deeper underlying methodological shifts. This is due in large part to the incorporation of new theoretical and academic research on the topic. However, these changes should also be understood as attempts to capture the developing meaning and aspects of competitiveness influenced by conditions of the social relations of capitalist globalization. Namely, these shifts are reflective of the nature of class struggle, its severity and antagonism that drives capital accumulation as a source of growth.

At the inauguration of the report, the drivers of competitiveness were identified generally without being grounded on solid academic foundations. Starting in 1996, the factors of

bankers, experts on industry, and heads of foreign-owned subsidiaries of MNCs. Namely, respondents rated the countries they operate within. Survey data are relied upon when hard data are unavailable for all or some countries. By 2007 survey data accounted for more than half of total number of the data used, 79 out of 113 variables.

competitiveness have become derived and analysed according to macro- and micro-economic theories. A group of American academics joined efforts with the WEF's competitiveness research team, which signalled the beginning of 'the academic turn' in the Forum's mission. Consequently, beginning in 1996, the factors of competitiveness were subsumed under competitiveness indexes constructed on macroeconomic and microeconomic principles. The most important of these indices are the Growth Competitiveness Index (GCI) and the Current Competitiveness Index (CCI). The two were given separate but mutually reinforcing tasks. Defined as "the set of institutions and economic policies supportive of high rates of economic growth in the medium term", GCI is set up to expose the speed at which a country's improves its growth potentials. The second index is defined as the "set of institutions, market structures, and economic policies supportive of high current levels of prosperity"⁵⁶⁹. Its objective is to elucidate the sustainability of such growth⁵⁷⁰.

In effect, these indices imply that "there are several paths to economic success"⁵⁷¹ for all countries, as discussed in the previous chapter. Both, however, are important at explaining the level of a country's accumulation of physical and human capital. The introduction of the GCI and CCI is thought to be more elaborate at providing "a more revealing picture" of the status of a country's international competitiveness. That is, the GCI identifies the growth factors and

⁵⁶⁹ Michael E. Porter, Jeffrey D. Sachs and John W. McArthur, "Executive Summary: Competitiveness and Stages of Economic Development", pp. 14, 16. Both indexes measure the rates of growth and prosperity with taking into account the country's level of development. See Peter K. Corneluis, Jennifer Blanke and Fiona Pua, "The Growth Competitiveness Index: Recent Economic Developments and the Prospects for Sustained Recovery", p. 8, John W. McArthur and Jeffrey D. Sachs, "The Growth Competitiveness Index: Measuring Technological Advancement and the Stages of Development", *The Global Competitiveness Report 2001-2002*, p. 32.

⁵⁷⁰ Understanding sustainability further is enhanced through the environmental sustainability index introduced in 2000 by further by Esty and Porter to measure how/whether the current environmental standards are harmful for businesses, For more details on the analytical framework shaping the ESI, see Daniel C. Esty and Michael E. Porter, "Measuring National Environmental Performance and its Determinants", in WEF (eds.), *The Global Competitiveness Report 2000*, pp. 60-75. See also Daniel C. Esty and Michael Porter, "Ranking national Environmental Regulation and Performance: A Leading Indicator of Future Competitiveness", in WEF (eds.), *The Global Competitiveness Report 2001-2002*, pp. 78-100.

⁵⁷¹ Andrew Werner, "Economic Creativity", *The Global Competitiveness Report 2000*, p. 28.

the CCI specifies the causes of prosperity at any time. In the next two sub-sections we will analyse these indices and their implications for the role of the state in improving the national competitiveness.

6.3.1. The Growth Competitiveness Index: the macroeconomic foundations of competitiveness

Jeffrey Sachs, Frederick Hu and Andrew Warner represent the first-wave academics, which contributed to enhancing the credibility of the GCR. Their contribution manifests itself through developing the Competitiveness Index (CI) constructed based on macroeconomic drivers of growth. Its purpose was to measure countries' growth potentials in the medium-term and to provide a snapshot of the current strengths and weaknesses of an economy in comparison with others. In addition to CI, Sachs and Hu constructed two more related indices. The Growth Index (GI), which combines the factors of competitiveness with the country's per capita income-level to measure potential for growth in the medium-term, and the Market Growth Index (MGI), which combines the GI and the size of the economy in order to rank countries according to their contribution to the overall world economic growth⁵⁷². The latter serves to draw businesses' attention to the locations of a potential rise in market demands⁵⁷³. In the report, countries were ranked on the three indexes and their competitiveness signifies their ability "to

⁵⁷² The growth index, is compiled of three components: the economic creativity index which measures the "effective transfer of technology", the finance index that analyses the efficiency of the financial system and rate of investment and saving, and the international index that measures the country's integration with the world economy, see Michael Porter, "The Microeconomic Foundations of Economic Development", in WEF (eds.), *The Global Competitiveness Report 1998*, p. 40.

⁵⁷³ Jeffrey D Sachs and Andrew M Warner, "Why Competitiveness Counts", in WEF (eds.), *The Global Competitiveness Report 1996*, p. 11, It is important to note that since the new competitiveness index introduced, the report does not account for short term shocks, financial panics, change in export prices that may lead to recessions or crisis.

achieve sustained high rates of economic growth, as measured by the annual change in gross domestic product per person”⁵⁷⁴.

In 2000, Sachs and John McArthur of Harvard Business School designed the GCI to replace the CI. The new index measures the factors that lead to a high rate of GDP growth. It combines three sub-indexes: 1) Technology index. 2) Public institutions index. 3) Macroeconomic environment index. They evaluate the level of technology advancement in an economy, the quality of its public institutions and its macroeconomic conditions respectively⁵⁷⁵. That is, as discussed earlier, technology as the lever through which sustainable growth can be achieved. Without it, capital accumulation will reach a level beyond in which its reproduction becomes more difficult. Public institutions are fundamental in terms of the transparency and efficiency of government spending, protection of property rights, enforcement of contracts and objective resolution of legal disputes. Macroeconomic stability, made through fiscal and monetary stability and also the stability of financial institutions, is crucial for growth in the short, medium and long term⁵⁷⁶. Given that a great deal of space has been devoted to the analysis of the macroeconomic factors thus far, hereafter the analysis will focus on the microeconomic foundations of competitiveness as they represent a fundamental shift in the GCR competitiveness discourse. This is of particular interest to the analysis as it ties directly with

⁵⁷⁴ Frederick Hu and Jeffrey Sachs, “Executive Summary”, in WEF (eds.), *The Global Competitiveness Report 1996*, p. 19.

⁵⁷⁵ Since innovation is considered to have played the major role in the medium-term growth for the core economies (innovation-driven economies), ½ of the weight in the GCI is placed on the first sub-index and ¼ for each of the other two indexes. For the non-core economies, 1/3 of the weight is ascribed to each sub-index. The distinction between core and non-core economies is based on Warner’s economic creativity index that distinguish between countries in which growth is stimulated by innovation and those who depend on technology diffusion, For a clearer idea on the methodology, see John W. McArthur and Jeffrey D. Sachs, “The Growth Competitiveness Index: Measuring Technological Advancement and the Stages of Development”, pp. 39-40, and for the components of each index see pages 41, 46, 48. And for an updated version of the Growth competitiveness index see Jennifer Blanke and Augusto Lopez-Carlos, “The Growth Competitiveness Index: Assessing Countries’ Potential for Sustained Economic Growth”, in WEF (eds.), *The Global Competitiveness Report 2004-2005*, pp. 3-18.

⁵⁷⁶ The function of the indices drivers varies depending on the level of countries’ economic development.

the form of capital-labour management the state is currently performing in the most advanced economies.

6.3.2. The Current (Business) Competitiveness Index: Bringing Microeconomics to the Fore

Since 1998, Michael Porter has strengthened the academic re-orientation of the GCR through advancing another foundation for international competitiveness. His contribution manifests itself in the incorporation of microeconomics into the study of competitiveness. That is, based on microeconomic principles Porter established the CCI. The bottom line of Porter's argument is that "a stable political context and sound macroeconomic policies are necessary but not sufficient to ensure a prosperous economy"⁵⁷⁷. He argues that for competitiveness to be sustainable, microeconomics should be given as much weight as macroeconomics, if not more, and reforms should be applied at both levels. In other words, the national economic environment is made conducive to competitiveness when macroeconomics and microeconomics complement each other.

Porter's Index is based on what has become known as Porter's Diamond, outlined earlier, is comprised of two sub-indexes: the sophistication of company operations and strategy index and the quality of the business environment index⁵⁷⁸. This division is based on the assumption that within a microeconomic framework, it is the level of sophistication with which a firm

⁵⁷⁷ Michael Porter, "The Microeconomic Foundations of Economic Development", *The Global Competitiveness Report 1998*, p. 38.

⁵⁷⁸ This index is devised through mainly adding microeconomic-related questions to the executive opinion survey but also based on hard data, questions were based on Porter's Diamond, Michael E. Porter, Jeffrey D. Sachs, and Andrew M. Warner, "Executive Summary: Current Competitiveness and Growth Competitiveness", *The Global Competitiveness Report 2000*, p. 16.

competes in terms of its operations and strategies, and the quality of the national microeconomic business environment that matter. Therefore, the productivity, and hence, growth of the national economy rests on the sophistication of labour skills and flexibility as well as technologies obtained by companies⁵⁷⁹.

Porter's framework is interesting to this research for two reasons. The first has to do with the role ascribed to the state within such framework and the second has to do with the implications of making microeconomics the ultimate source of competitiveness (which will be examined in the following chapter). The role that the government assumes within this context, Porter maintains, is focused on improving the quality of the national business environment. This is mainly because this environment affects the types of operations and strategies adopted by the firm. However, it doesn't mean that what the state does at the macroeconomic level is less important. The state has to perform two complementary roles at both levels.

The national business environment that represents areas for desirable state actions is composed of four factors: factor conditions, the context for firm strategy and rivalry, demand conditions and supporting industries⁵⁸⁰. The factor-conditions are partly shaped by governmental policies through: physical and technology infrastructure, labour training, tariff liberalisation; intensity of local competition, legal barriers to entry, government subsidies, bureaucratic red tape, judicial independence and stringency of environmental regulations and openness of public sector contracts. The demand conditions are influenced by the openness of the economy, the

⁵⁷⁹ In 2006, Porter et al developed the CII and introduced measures of the impact of three context dimensions on competitiveness: political stability, logistical location, neighbouring countries, and natural resources. The objective is to identify gaps between prosperity and microeconomic competitiveness. For more details on the methodology, see Michael E. Porter, Christian Ketels and Mercedes Delgado, "The Microeconomic Foundations of prosperity: Findings from the Business Competitiveness Index", in WEF (eds.), *The Global Competitiveness Report 2006-2007*, pp. 71-2.

⁵⁸⁰ Michael E. Porter, "Microeconomic Competitiveness: Findings from the 1999 Executive Survey", in WEF (eds.), *The Global Competitiveness Report 1999*, pp.31-2.

regulatory standards applied, government procurement and openness to imports. Changes in these variables cause variation in GDP per capita growth and, thus, in national income⁵⁸¹.

Therefore, improving this environment is attained through ameliorating the infrastructure, enhancing institutions, providing skilled and flexible labour and offering better incentives to businesses. However, businesses also play a role in improving the national business environment when they support education, help to enhance infrastructure, strengthen their innovative capacity, establish linkages with universities, build clusters and when they have a good corporate social responsibility profile, although the last of these roles is notoriously low in the set of priorities.

In addition to what businesses can do in relation to improving the national business environment, the sort of responsibilities assumed by the state, as outlines above, will facilitate the introduction of more advanced and sophisticated business operations and strategies. Thus, businesses will become able to upgrade from working within a comparative advantage framework that is based on cheap labour and natural resources, and which has become the weakness itself, to performing sophisticated production processes and producing unique products. Hence, they will reach a competitive advantage stage. When a firm upgrade their strategies and operations, it feeds back into improving the business environment through, for example, developing higher quality supplier and sophisticated buyers and also through demanding more effective government and institutions.

With microeconomic factors considered, the definition of competitiveness becomes centred on productivity growth in the national economy, for which labour flexibility and skills are integral in order to allow higher level of profit through more exploitation. The reason being, Porter contends, that productivity “sets the wages that can be sustained, the returns to invested capital,

⁵⁸¹ Michael E. Porter, “Building the Microeconomic Foundations of Prosperity: Findings from the Business Competitiveness Index”, in WEF (eds.), *The Global Competitiveness Report 2004-2005*, p. 42.

and the surplus (after costs) generated by a nation's physical resources"⁵⁸². Building on this, competitiveness improves when productivity rises. And that latter happens when "the nation improves its capabilities at the microeconomic level"⁵⁸³. Microeconomic conditions explain variation in overall national productivity, wage levels, and also differences in growth of GDP per capita⁵⁸⁴.

Porter concludes that international competitiveness, defined in terms of productivity, becomes sustainable only when the political, macroeconomic and microeconomic environments improve altogether⁵⁸⁵. While, as shown by the outlined factors, macroeconomics is by and large the responsibility of the government, microeconomics should be addressed by both governments and businesses⁵⁸⁶. Thus, from a microeconomic perspective, the GCR analyses "how individual national environments affect the competitiveness of enterprises operating in those countries". The main role of the enterprise is to coordinate "its internal efficiency with the national environment in which they operate"⁵⁸⁷.

What Porter's framework implies is that the convergence on macro reforms has been deeper than that on micro reforms. Without the latter, negative repercussions should not be surprising in the long-run because economic progress goes without social benefits, such as those obtained

⁵⁸² Productivity "must encompass both the value (prices) that a nation's products command in the marketplace and the efficiency with which standard units are produced...value productivity", Michael E. Porter, "Measuring the Microeconomic Foundations of Economic Development", in WEF, (eds.), *The Global Competitiveness Report 1998*, p. 39.

⁵⁸³ *Ibid.* p. 40.

⁵⁸⁴ Porter argues that it arguably accounts for 81% of the differences among countries in GDP per capita and wage levels. Michael E. Porter, Christian Ketels and Mercedes Delgado, "Measuring the Microeconomic Foundations of Prosperity: Findings from the Business Competitiveness Index", *The Global Competitiveness Report 2007-2008*, p. 68.

⁵⁸⁵ Michael E. Porter, "Building the Microeconomic Foundations of Prosperity: Findings from the Microeconomic Index", *The Global Competitiveness Report 2002-2003*, (pp. 23-45)

⁵⁸⁶ Most related variables to productivity growth are the following: the intensity of competition, buyer and supplier quality, business information availability, intellectual property protection, and measures of R&D; that is at the national business environment level. At the company level, innovation capacity, staff training, breadth of international markets and senior management professionalism. Also access to finance, buyer sophistication.

⁵⁸⁷ WEF, "Executive Summary", in WEF (eds.), *The World Competitiveness Report 1990*, p. 22.

from breaking monopoly, building a better education and training systems⁵⁸⁸. Thus, the desirability of reforming the microeconomic structure of a country's economy originates from the fact that such reforms are closer to the public than macroeconomic ones. This is so given the way it impacts the standards of living and the change it triggers in business image through decreasing the cost of living and increasing the quality of products and services⁵⁸⁹. It is only when firms become competitive that higher wages and sustainable capital's profit are possible, notes Porter. Therefore, a nation's prosperity rests mainly, but not solely, on its microeconomic performance.

Porter's emphasis on microeconomics suggest that the inclusion of microeconomic reforms within the overall economic reforms can serve as a remedy for the problem of high unemployment, based on labour market flexibility, and can also enhance the standards of living. He cites the problem of developing countries as explained according to this premise as well. It is their focus only on the IMF structural adjustment policies that has not helped their economies to grow and their living standards to improve. In a way, Porter reduces the heart of the problem to capitalism, the emergence of global anti-capitalist movements and the failure of governance at the microeconomic level. This reductionist stand is recapped in the following statement by Porter;

If there is to be continued momentum for economic reform in nations around the world, there is a pressing need to move to the next level of thinking. Approaches based heavily on macroeconomic adjustment and centered largely on financial markets are producing a backlash that erodes consensus for global economic progress and foments national policies that are fundamentally self-defeating. Protests in Seattle and at the World Bank meetings should be a wake-up call that economic reform must move beyond approaches that

⁵⁸⁸ Michael E. Porter, "Microeconomic Competitiveness: Findings from the 1999 Executive Survey", *The Global Competitiveness Report 1999*, pp. 40-1. Building on that, it is the un-competitive microeconomic environment in the East Asian countries hit by the 1997-8 crisis made their economies more vulnerable than other economies with suitable microeconomic standards.

⁵⁸⁹ Michael E. Porter, "Measuring the Microeconomic Foundations of Economic Development", *The Global Competitiveness Report 1998*, p. 57.

are now standard. Macro-driven adjustment policies without aggressive micro reforms provide an opening to those who criticize the market economy and global capital markets as negatives for the social development of countries⁵⁹⁰.

Therefore, prosperity and higher living standards are mainly defined in terms of the prosperity and productivity of the firm – the competitiveness of the nation is the competitiveness of the firms operating within its borders. In such a way, microeconomics become more prominent than macroeconomics. A further implication of this is that when macroeconomic reforms are pushed to the backstage, the responsibility of the state come to be centred on the welfare of the enterprise rather than of its own people since it is on the success of the latter that productivity, prosperity and growth are conditioned. It is no longer that state that provides welfare to its own people. It is rather the enterprise that is held responsible for people's welfare. Porter points out that the difficulties that face governments and societies as a result of implementing macroeconomic reforms, such as cutting public expenditure and rising interest rate, could be relieved only by concurrently applying microeconomic reforms. This argument is made clearer in the following quote by Porter:

breaking up local cartels and monopolies can lower the cost of food, housing, electricity, telephone services, and other costs of living. Regulatory reform can rapidly begin to ease inefficiencies, reduce pollution, raise product and service quality, and improve unsafe practice... bold steps to improve education and training are particularly important, because they offer the hope for a better life for children. If citizens see businesses reforming themselves and having to confront tough competitive challenges, they will be more willing themselves to live with personal sacrifice and less likely to side with anti-reform interest groups. The political will and public support to make real economic changes is elevated⁵⁹¹.

⁵⁹⁰ Michael E. Porter, "The Current Competitiveness Index: Measuring the Microeconomic Foundations of Prosperity", in WEF (eds.), *The Global Competitiveness Report 2000*, p. 55.

⁵⁹¹ Michael E. Porter, "The Current Competitiveness Index: Measuring the Microeconomic Foundations of Prosperity", p.55.

In such a fashion, unemployment, inflation, slow economic growth, recessions, crises and all the undesirable outcomes of unfettered market economy find their roots in an uncompetitive microeconomic environment. The failure is not the responsibility of the enterprise, it rests mainly on the shoulders of the government that proved incapable of improving the national business environment and implementing microeconomic reforms. The lack of such reforms would lead to unsatisfactory returns on investment which would mean in turn slow growth and perhaps austerity cycles since businesses would shift attention elsewhere. On such a basis, convergence needs to take place on the microeconomic level not only on the macroeconomic one in order to create new opportunities for business and enhance their internal efficiency, which results in increasing the returns on the capital invested. Once the latter is realised, the way is paved for higher levels of GDP, higher wages and rising living standards for people.

The separation between the GCI and BCI ended in the latest methodology change of 2005. The macroeconomic and microeconomic factors were grouped into one index, the Global Competitiveness Index (GCI). What distinguishes the GCI is the fact that its ranking is built on the micro- and macroeconomic factors and that it takes into consideration countries' stages of economic development⁵⁹². Moreover, this shift brought with it a singular definition of competitiveness, one that is primarily centred on productivity. Competitiveness is “the set of institutions, policies, and factors that determine the level of productivity of a country”⁵⁹³. The centrality of productivity to international competitiveness reflects the weight that is given to

⁵⁹² It, however, was not implemented practically until the 2006-2007 GCR. It was primarily introduced in order to overcome some of the, important, shortcomings in the growth competitiveness index attributable to changes in the dynamics of competition in the global economy. For more details on the differences between the GCI and GCI' see Augusto Lopez-Carlos et al, “Politics and Institutions Underpinning Economic Growth: Results from the Competitiveness Indexes”, pp. 3-37.

⁵⁹³ Xavier Sala-I-Martin and Elsa V. Artadi, “The Global Competitiveness Index”, in WEF (eds.), *The Global Competitiveness Report 2004-2005*, p. 51.

microeconomic variables in the new GCI. Productivity determines the rate of investment returns and growth rate, citizen's income level, and the sustainability of a country's prosperity.

This shift in the emphasis towards microeconomic reforms in order to enhance the country's competitiveness, which is defined in terms of productivity, connotes that the GCR has placed the responsibility not only on the state but also on labour that is required to adapt to changing economic conditions through more flexibility in the labour market. This is suggestive of a role of the state that is centred on the management of labour within its jurisdiction in a way that allows capital accumulation to circulate through its economy. Thus, the WEF's discourse of competitiveness has become oriented towards a role of the state that is centred on the embeddedness and socialisation of competitiveness into the society as an imperative for achieving economic growth, higher employment and living standards. It is this embeddedness that will allow greater productivity and sustainability of growth. Thus, competitiveness has become centred on a specific form of the management of capital-labour relations within the state. Flexibility in the labour market has become integral to this management and it is the task of the state to deliver in this regard.

Conclusion

This chapter has argued that while the influence of the WEF is perhaps visible in various ways and through multiple means, such as Davos's annual meeting and other activities, this influence becomes more visible through an analysis of its discourse of competitiveness developed by its globalising professionals. Although this discursive power has its roots in the Forum's wealth structure, it is also entrenched in its power of ideas as a discursive institution and a host for networks of state and non-state actors. The GCR is an instrument for the projection of that

power that seeks to uphold the interests of the Forum's capitalist members. The state, its institutions and ways of functioning as well as its needs are being produced and reproduced continuously through the discourse of competitiveness as a neoliberal imperative. Such a process is sought to be triggered through GCR and its factors of competitiveness as well as its competitiveness indices. Nevertheless, this is not to say that such a process occurs only through the WEF's version of the discourse. It is rather to note the influence its discourse has on the state given the distinctive nature of the relationship between the Forum and all states participating in its activities which was discussed in detail in Chapters Four and Five.

What this chapter adds to the aims of this research is a more thorough analysis of the competitiveness discourse as produced by its agents. Such an engagement with the discourse, through the GCR, makes the nature of the discourse clearer. The responsibilities ascribed to the state in the capitalist society according to the TCC are revealed. Also, the nature of the WEF's discursive power is more elaborate now. As a result, it is only by doing this that a better understanding of the adoption of international competitiveness standards by the states is possible. Furthermore, the extent to which the Forum is capable of projecting its influence over national policy-making can be discerned and measured more confidently. Eventually, a better-informed contribution can be made to the TCC and the international competitiveness literatures.

Moreover, this chapter has focused on discussing the Forum's increasing emphasis on the microeconomic foundations of competitiveness which signals a worrying move towards changing the meaning of competitiveness thereby making the society responsible for its own prosperity, higher living standards and welfare. The latter rewords are being conditioned upon building a society that is more competitive and less dependent on the state's welfare, and a workforce that is more productive and highly flexible. In this regard, the state is made

responsible for corporate welfare as a means for enhancing people's welfare. In order to do so, the state's role is to embed competitiveness within the society that needs to accept certain sacrifice in exchange for its welfare that is delivered by the market.

In addition to further enhancing our understanding of the nature of the Forum's competitiveness discourse, this shift deserves a detailed attention given its social, economic and political implications in the society today under neoliberal globalisation. It is also important given its implication for the nature of the relationship between the state, labour and capital and the form of their management. Thus, rather than focusing on the orthodox policies of competitiveness, macroeconomic policies, which reveal little about the influence of the discourse, the focus will shift on the microeconomic policies and the embeddedness of competitiveness in the society. That is, labour market and welfare policy reforms are made by most advanced states today in order to decrease the dependency on the state for welfare, curb its old-fashioned intervention in the market and enhance the flexibility and productivity of its labour force. However, in the international competitiveness debate, the argument is made that these reforms are conducted as a matter of responding to the needs of global capital at the expense of labour. The OM framework underpinning this research contends otherwise. Labour market flexibility and welfare reforms are policies that form part of the management of capital-labour relations within the state. Through reforming welfare and labour market regulations, the state aims to maintain the reproduction of the capitalist relations of production in a manner that allows capital to circulate and reproduce itself within its jurisdictions while also catering for preserving the social order within its borders. It is to these points that the analysis will turn in the next chapter.

Chapter Seven

The Social Embeddedness of Competitiveness: The Welfare State and the Competitive Society

In the previous chapter it was argued that discerning the extent to which the competitiveness discourse of global policy groups shapes state national policies, reflecting their power in relation to the state, requires an engagement with the discourse itself as produced by its agents, the GCR of the WEF here. Specifically, while it is perhaps true that the discourse of competitiveness has started to influence state policy-making and the debate around policy reforms, I argued that it is an uneasy task to determine the scale of its influence within the state without a thorough analysis of the discourse. Therefore, the above engagement with the GCR

allows a more robust investigation to be carried through regarding the claim, made in the TCC and international competitiveness literatures, that the WEF's competitiveness discourse determines the nature of the state restructuring process today, that it has power over the state, or at best that the state and its globalising politicians are part of the TCC and function in a way that serves its interests. When this step is followed by an analysis of the state's own competitiveness discourse in Chapter Eight, it will be possible to locate the agency of change in state policy-making, whether it lies in a transnational capitalist class as argued in the scholarly work discussed above or in the socio-economic national conditions of each country as this thesis contends from an Open Marxist perspective. Hence, the above engagement makes it possible to assess whether the state's globalising politicians are members of the TCC and whether they perform a complementary task to that of the globalising professionals who designed the GCR to serve the interests of TCC as the previous chapter showed. As such, the ground is furnished for an assessment of the viability of OM and its explanatory power.

Thus far, I have showed how the WEF's discourse indeed seeks to prescribe a certain role for the state in the management of the national economy, through the factors of competitiveness in the GCR and the position of the state in relation to each of them. Moreover, I have explained that there is a greater advantage accrued by comprehensively accounting for the Forum's discourse prior to engaging with the UK's competitiveness discourse. In order to do so, I have highlighted the shift in the Forum's discourse towards emphasising the microeconomic foundations of competitiveness rather than being concerned only with the orthodox macroeconomic ones. The implication of this shift finds its weight in the growing emphasis today on the state implementing micro alongside macroeconomic reforms; it is crucial for business profitability to reform the welfare system and labour market regulations as it facilitates greater productivity through more exploitation of labour. What this communicates is a message

that corporate welfare is the priority and the means to deliver social welfare to people. It is by enabling enterprises to increase their productivity that economic growth and higher employment levels can be sustained. Accordingly, for the Forum the state has to socialise competitiveness into society and to embed the idea that welfare is provided by the enterprise, not the state.

Many advanced capitalist states have initiated a process of microeconomic reforms since the 1980s. Yet, this is not simply a result of the power of the WEF or other policy groups. As will be shown in the analysis of the British case, a current of similar ideas has been underway within the circles of political debate in the UK long before the GCR made its case for the complementarity of micro and macroeconomic reforms. The argument that I advance here is that since welfare reforms have been at the centre of public debate in most advanced economies recently, analysing the Forum's stance on the welfare state would help in drawing the right conclusion between its discourse and the change already occurring within the state regarding social welfare. In doing so, the case will be made for a better understanding of the role of the state and its managers in the capitalist society, of the dynamics of policy change taking place in welfare and labour market reforms, of the agency driving such change whether it is a TCC or the struggle between capital and labour domestically, and of the role of the WEF's discourse regarding the management of circuits of capital within national economies.

This chapter will focus on the GCR's discourse on the welfare state. It seeks to map out how it is portrayed as an obstacle to the international competitiveness through its distortive impact on the macro and microeconomic foundations of competitiveness. Specifically, the discourse signifies the idea that reforms at the microeconomic level have become necessary in order to cement economic growth and recovery in times of crisis. Therefore, irresponsible fiscal and

monetary policies, embodied mainly in wasteful welfare spending, cause inflationary pressure and deprive businesses from the opportunity to be provided with a suitable business environment that could be delivered through diverting public funds into areas such as upgrading education and infrastructural systems. Moreover, excessive welfare policies lead to a rigidity in the labour market, which undermines the productivity of the enterprise and, thus, undermine the economy's potential for growth, higher employment and living standards. Hence, transforming the welfare state constitutes a second phase of strengthening the basis of international competitiveness.

The first section of this chapter discusses the neoliberal foundation of the WEF's competitiveness discourse. The second section will highlight the discursive attempt made in the GCR aimed at transforming the welfare state as an obstacle to strengthening the microeconomic foundations of competitiveness. It will show that such transformations have become perceived as a necessary step towards consolidating the basis of neoliberal competitiveness. The third section will demonstrate the shift in the Forum's discourse from discrediting state spending overall, to a stand where it is evaluated based on its conduciveness to business productivity and prosperity. This chapter will conclude that the operationalisation of the Forum's discourse of international competitiveness today is conditional upon the transformation of the welfare state that stands as an obstacle for the creation of a competitive society, one that accepts business competitiveness as source of prosperity.

7.1. The Embeddedness of Competitiveness as a Neoliberal Ideology

There are challenges that must be overcome and obstacles that are ought to be eliminated prior to making competitiveness socially embedded. Porter's "competitive society" is a major prerequisite project that is important to facilitate the social embeddedness of competitiveness and the creation of a competitive state from the WEF's point of view. In order to achieve that, the welfare state, in its traditional 'excessive' form, represents an outdated structure that must be transformed. Indeed, international competitiveness and welfare are thought of, in discourse, as mutually exclusive doctrines where the rise of one leads to the weakening of the other -- when unbalanced, the welfare state burdens the macroeconomic policy of the state and weakens its microeconomic competitiveness. But, since the essence of welfare has assumed a distinct meaning within the WEF's competitiveness discourse in relation to welfare's core source, improving microeconomic competitiveness yields higher welfare to citizens brought about by higher rates of economic growth. This requires the state to prioritise reforms at the microeconomic level.

The current attempt at the transformation of social welfare that is manifested in governmental discourse and practice in many advanced economies should not be conceived of independently from the rise of microeconomic competitiveness as a policy doctrine and an alternative source of welfare in countries where macroeconomic-generated welfare have become seen unsuitable for a dynamic and competitive economic environment. This to a great extent the position of the Conservative party in the UK. When microeconomics becomes pursued as the ultimate source for rising living standards, economic growth and competitiveness, social welfare becomes conditioned upon corporate welfare rather than a welfare delivered by the state through macroeconomic means. This is arguably the case because the welfare provided by the state has proved harmful to the economy and businesses operating within it. Thus, survival is a matter

that necessitates the transformation of the traditional welfare programmes inherited from the post-war social and economic settings.

This endeavour to abolish the entrenched social welfare state has crystallised discursively in the WEF's GCR. Since the early 1980s, in an effort to construct a world-model for sustainable economic growth, the GCR preoccupied itself with resolving the controversy over the social welfare programmes deep-rooted in the governance of western capitalist economies. In its discourse, the welfare state stands as an obstacle to improving international competitiveness, especially in a context marked by inflation and recession like that of the 1980s and post-2008. Thus, the neoliberal project of minimising the social and economic role of the state launched in the 1980s was facilitated, as well as strengthened, by a process of systematic discursive transformation of social welfare systems. Although this had already begun in late 1970s, more solid reforms were required.

The state is significant to the project of operationalising and socialising competitiveness as a state policy. Today, to “become attractive magnets for investment and technological diffusion”, McArthur and Sachs argue, national policymakers have to do everything that falls upon their shoulders. Their inability to do so gets punished “far more harshly than in the past”. That is, “when the business environment is poor, skilled workers and capital simply ‘pack up their bags’ and leave for a more promising location”⁵⁹⁴. In order to strengthen its competitiveness, the state has to complete its macroeconomic reforms through stabilising its fiscal and monetary policies. The welfare state has represented an obstacle to such an endeavour in the Forum's discourse. Claude Smadja, the former general director of the WEF, bluntly argues for a role of

⁵⁹⁴ John W. McArthur and Jeffrey D. Sachs, “The Growth Competitiveness Index: Measuring Technological Advancement and the Stages of Development”, p. 30.

the state conducive to the embeddedness of competitiveness and remodelling the society to adjust itself to its rules. He states that:

The discussion of governments [sic] role in modern society is not about big versus small government. We know that the era of big government is over. The real issue today is how to make government efficient and relevant when it comes to promoting economic activity while helping the population adjust successfully to a new, more demanding, less predictable environment⁵⁹⁵.

An 'efficient' government with a 'relevant' role that fits within changing economic and social landscapes, one that Schwab and many in the Forum has always called for, is one with a social welfare programme as light as possible. A macroeconomic role of the state which accounts for the social consequences of free market economy through welfare policies curtails the competitiveness of the capitalist enterprise and hence prevents the capitalists from realising satisfactory level of capital accumulation and profit. This eventually will lead to capital flight, job loss and low economic growth. The non-competitiveness of an enterprises working within a certain national economy would simply "imply an unnecessary waste of resources and indicate to governments that structural changes should be facilitated", according to Schwab⁵⁹⁶. Macroeconomic-generated social welfare arguably drives capitalism into crises in the long-run because of its effects that are characterised by inflation and low productivity. The recession of the 1980s is a commonly cited as evidence of such an effect of welfare policies. Therefore, recessions, inflations and crises should be escaped through shifting the focus from social welfare to corporate welfare that would naturally trickle down into social welfare through its promising societal rewards engendered in higher rates of economic growth, employment and living standards. In both domains, macro- and micro-economic, the state is expected to act to

⁵⁹⁵ Claude Smadja, "Beyond Statistics", *The Global Competitiveness Report 1996*, p-31.

⁵⁹⁶ Klaus Schwab, "Preface", *EMF's Report on International Competitiveness 1985*, p. 3.

reach these ends; it has to curb and minimise its welfare programmes on the one hand, and promote and maximise corporate welfare through supporting a microeconomic-led approach to competitiveness on the other, an approach that is based on the constant enhancement of labour productivity.

Such adaptation of the role of the state is placed at the centre of the Forum's neoliberal discourse. In 1979, the first competitiveness report signalled the commencement of this long-term project. It stated that:

there is no denying that the State has a crucial role to play in a modern industrial economy. But in order for this to be a positive role, the public sector should compete as little as possible - certainly as fairly as possible - with private enterprise for human and financial capital and, of course, for revenue. Government is inherently less efficient than private enterprise in the provision of goods and services. It should confine its economic activities to those that the private sector cannot or is unwilling to take on⁵⁹⁷.

This call for rolling the state's economic activities back forms the heart of the rise of neoliberalism in the 1980s and points to the direction to which the state's restructuring process is being taken in the Forum's competitiveness discourse. It rests on questioning the efficacy of the state's economic activities and assumes its responsibility for slow economic dynamism and, thus, furnishes the grounds for a course of action that legitimises a greater role for private enterprise. In the 1980 GCR, this orientation was given more solid ideological grounds when the report, under a section titled *Competitiveness and Underlying Economic Ideology*, argued that:

⁵⁹⁷ EMF, "Tables and Commentary", p. 54.

the more a country's economy lays stress on the unfettered development of free enterprise the more its industry is competitive in the pursuit of markets at home and abroad. Free enterprise, moreover, usually coincides - but does not need to - with the private ownership of the means of production. Our Report confirms that the prevalence of this combination, or at least a trend in that direction, is generally highly conducive to a superior level of competitiveness⁵⁹⁸.

Thus, it is clear from the outset that the competitiveness of the GCR is unquestionably a neoliberal paradigm. It is centred on problematising the public ownership of the means of production, which rests on the assumption that only the private capitalist enterprise is capable of functioning efficiently. Thus, national economies should be reengineered accordingly in order to foster this endeavour. States should deprive themselves from their power as economic agents and assign such power only to private capitalist enterprise that is capable of generating wealth, welfare and maintaining continuing capital accumulation. When this is ignored, countries would eventually end up with stagnating competitiveness and, at best, slow economic growth. Over-staffed state-enterprises, which are normally associated with entrenched bureaucracy, in addition to budget deficit and inflation are blamed for low levels of competitiveness in Europe. In 1985, the report ranked Italy 21st out of 28 countries. The justification for this ranking was based on the structure of the Italian state that “must be regarded as the great culprit in preventing a very resourceful economy from becoming more competitive internationally”. Specifically, the bureaucratic state structure of Italy made its welfare programme quite ineffective. France ranked 19th in the same year, which is another example where the impact of structural inefficiencies was discerned, especially the lack of free market spirit. It was highlighted in the case of France that “the government's plan to offset the slack in private-sector investment and employment by expanding the newly nationalized

⁵⁹⁸ EMF, “Europe’s Competitive Challenge“, *Report on the Competitiveness of European Industry 1980*, p. 18.

companies is not working in the face of large losses”. Nationalisation of industries, banks and services created a state monopoly and raised the cost of finance. Furthermore, an essential shortcoming of the French economy is worsened by an overemphasis on the welfare system and rigid labour market regulations. These features of the French state depicted “the dismal picture of France's gravely impaired competitiveness”⁵⁹⁹, in the Forum notes. Conversely, the United States was ranked 1st for reduced government interference, especially in relation to labour market regulations.

Reducing state ownership of the means of production, which essentially means less government intervention and more economic efficiency, is therefore welcomed in many instances in the GCRs. The 1985 report applauded the Irish and British governments’ move towards privatisation in the mid-1980s. In 1984, the Irish government denationalised the public-owned shipping industry and a more extensive programme was underway under the Thatcher government in Britain with the objective of selling what was worth of \$14.6 billion US dollars of state-owned enterprises by 1990. However, the report warned that “while these examples of denationalization may signal a welcome trend towards a hands-off policy of governments vis-a-vis the economy, there remain many instances of regulatory interference”⁶⁰⁰. This is another important obstacle highlighted in the GCR following the emphasis on the indispensability of the free market economy, which will be discussed in detail later. In 1980, the report praised the conversion toward free market economy made in several European countries. It honoured the fact that an increasing number of countries in Europe then were presenting:

⁵⁹⁹ WEF, “Competitiveness Profiles of Major Countries”, *EMF’s Report on International Competitiveness 1985*, p. 37.

⁶⁰⁰ EMF, “The Major Components of Competitiveness”, p. 78.

the happy picture of moving towards the unfettered context of free enterprise/private ownership. Sweeping changes in government or policies have made this orientation possible. Thus France and Britain are strongly de-emphasizing the Role of the State both as a producer and as a rescuer of ailing concerns⁶⁰¹.

Such triumphant representation of political and economic shifts in Europe is reflected in the GCR's assessment of the countries covered. The deregulatory framework introduced by the Thatcher government was seen as a boost to the country's financial dynamism; the road to an increased government efficiency and the country's overall competitiveness⁶⁰². The business leaders in Britain were then, the report points out, "highly appreciative of the absence of price controls, of cross-border financial flows, domestic investments and deregulation"⁶⁰³. In the US, one of the GRC's usual top competitiveness runners, the country has its share of the credits in the report, which was based on the high confidence placed in the system by the enterprises working in the country. Besides reducing the government's regulatory interference in the economy, the US recovery of 1982 was primarily stimulated by "big tax breaks" and "a new realism in wage agreements". This resulted in higher returns on capital investment as well as a respectable level of job creation that is 'free of strict work rules'⁶⁰⁴. The measures that governments were encouraged to take by the Forum in the 1980s extend to income and corporate tax. As early as 1985, the report stresses the need for governments to be "very careful in adopting fiscal policies which may deter investment and jeopardize the international competitiveness of their national corporations". It notes that "whatever the pay levels and other working conditions", income tax "can spoil it all and demotivate people"⁶⁰⁵.

⁶⁰¹ EMF, "Competitiveness and Underlying Economic Ideology", *Report on the Competitiveness of European Industry 1980*, p. 19.

⁶⁰² WEF, "Competitiveness Profiles of Major Countries", p. 36.

⁶⁰³ EMF, "The Executive Business Confidence Scoreboard", in *EMF's Report on International Competitiveness 1985*, p. 20.

⁶⁰⁴ WEF, "Competitiveness Profiles of Major Countries", p. 33.

⁶⁰⁵ EMF, "The Major Components of Competitiveness", 76. a little more will be said later on in this chapter in relation to the importance attached to fiscal policy by the report

Regarding corporate taxes, the GCR introduces a bright image of governmental tax policies in response to the 1980s recession. It notes that when businesses in Europe demanded to be relieved from their tax burden as it was putting them at a disadvantageous position against their competitors, governments in the UK, Germany and Switzerland responded “positively to these demands”. For example, in the UK corporate taxes were lowered from 52 to 50 percent while the government also promised to reduce it further to 35 percent by 1986/1987⁶⁰⁶.

Reviewing the evaluation of Asian countries in the GCR also allows the observation of such a trend. Hong Kong is depicted as “the only economy in the modern world that is closest to the laissez-faire capitalism Adam Smith would have favoured” which reinforces its international competitiveness⁶⁰⁷. “Even China”, the report maintains, made impressive steps in the right direction. By mid-1980s, the Chinese economy has become much-less central and more market-oriented economy. In China, “the scope of governmental participation in economic activities substantially curtailed, and economic decision-making powers devolved to individuals, enterprises and localities”.⁶⁰⁸ Conversely, Japan stood at the other end with its controversial trade system. Japan’s protectionist policy in the agriculture sector was evaluated unfavourably in the report in relation to its state interference and the well-being of its people. It was seen as “one drag on Japan's economic efficiency”. A drag that was expected to bring about “a protectionist foreign backlash against growing Japanese trade surpluses and the wholesale conquest of certain market segments”, primarily from the US and Europe⁶⁰⁹. Although the report recognises the balancing effect of subsidies against governmental taxes, it holds that “countries with high subsidies ultimately hurt their own competitiveness, by

⁶⁰⁶ *Ibid.* pp. 53-4.

⁶⁰⁷ Fredrick Hu, “East Asia Record of Success”, *The Global Competitiveness Report 1996*, p.34. (pp. 32-5), see also Michel Mirshak and Amy Webster, “Factors Affecting Competitiveness”, *The World Competitiveness Report 1989*, p. 25.

⁶⁰⁸ Fredrick Hu, “East Asia Record of Success”, p.34.

⁶⁰⁹ EMF, “The Major Components of Competitiveness”, p. 34.

preserving outdated structures at the expense of worthier sectors with more potential for growth and prosperity⁶¹⁰.

In short, the GCR's neoliberal state restructuring aims to decrease the effects of the "the heavy hand of the government", which has a strong bearing on businesses and the country's international competitiveness⁶¹¹. However, in the GCR the government intervention manifests in various ways and produces different outcomes. While its role in India was seen as catastrophic and responsible for the country's lack of competitiveness⁶¹², in the case of the South-East Asian model of public governance, the GCR holds a different account where state intervention is not discredited similarly. In 1985, the GCR contended that the South Korean economic growth is "further helped by a state which interferes in the economy not so much as a bureaucratic regulator but more as a strong partner for business to promote Korean exports — in short, a leaf has been taken from Japan incorporated"⁶¹³. The latter, however, was previously criticised for the lack of governmental support of start-up companies, strict rules imposed on the mobility of labour, unfair competition for public procurement, and the lack of managerial autonomy in public-owned enterprises⁶¹⁴. Yet, in the 1990s, the GCR showed a noticeable admiration of the high ranking attained by East Asian countries in the report, including Japan with its motivated workforce and supportive state policies. The high competitiveness profile of these economies was then ascribed to the unmatched performance on multiple factors with a special focus on the small size of the government and labour market flexibility. The latter were seen as the most crucial factors behind the seemingly prolonged competitiveness in the region, at least until 1997-8.

⁶¹⁰ *Ibid.* p. 78.

⁶¹¹ *Ibid.* p. 77.

⁶¹² EMF, "The Executive Business Confidence Scoreboard", p. 21.

⁶¹³ EMF, "The Executive Summary", in *EMF's Report on International Competitiveness 1985*, p. 15.

⁶¹⁴ EMF, "The Executive Business Confidence Scoreboard", p. 18-19.

Germany, Sweden and other continental and North European countries are examples where the state is still an active agent in the economy and where trade unions enjoy a role in management decisions but also take sacrifices in the name of competitiveness and adopt flexible strategies during recession. As noted by the 1985 GCR, among the factors that underpin Germany's competitiveness, ranked 4th in 1985, are "the severity of antitrust laws and their application, the absence of trade protectionism, and labour participation in guiding enterprises through social or economic storms and calmer waters"⁶¹⁵. However, Germany was perceived to still lag behind in few areas according to its business community. The "competitive weaknesses" of the German economy are "almost entirely due to unfavourable 'framework conditions', e.g. high taxes and labour-market rigidities, which have depressed earnings, productivity advances, corporate self-financing capacity and investments"⁶¹⁶. In 1996 Germany ranked only 22nd out of 49 economies, which was blamed on labour market rigidities and the extensive welfare programmes. "Germany, together with many of its EU partners, ranks especially poorly in government and in labour market flexibility", notes the report in 1996⁶¹⁷. One of the few praises the report gave the German government at the time was the commitment it had, and arguable still does, to continuous upgrading of its infrastructure. It is one of the economic activities of the state that is relatively excluded from criticism by businesses as a sort of non-inflationary and productive investment. The private sector, according to the Forum, "can only meet some of a country's infrastructure needs, and there will continue to be a role for the government even under the most privatised regimes"⁶¹⁸. The position of Germany has become more favourable

⁶¹⁵ *Ibid.* p. 19.

⁶¹⁶ EMF, "The Major Components of Competitiveness", p. 35.

⁶¹⁷ Frederick Hu, Jeffrey D. Sachs "Executive Summary", *The Global Competitiveness Report 1996*, p.17.

⁶¹⁸ Eric Bridgen, "Infrastructure and the Competitive Economy: A Fundamental Requirement", *The World Competitiveness Report 1993*, p. 280.

towards the end of 1990s with more labour flexibility and less harmful welfare that were strengthened later by the Hertz reforms introduced in 2002.

By mid 1990s, the GCR celebrated the results that many countries achieved through the implementation of neoliberal restructuring policies. In 1997, Sachs stated that:

The rapid growth of recent years may be viewed as the payoff to a decade of worldwide economic reforms...government have taken important strides to open national economies to international trade and finance; to privatize state-owned enterprises and to invite competition in sectors formerly off limits to the private sector; to get high rates of inflation under control; and to improve physical infrastructure to enhance the ability of the national economy to participate in global trade. The result has been rising growth in reforming economies and rising growth in the world as a whole⁶¹⁹.

In his contribution to the competitiveness discourse of the GCR, Dominique Strauss-Kahn, the former French minister of industry and foreign trade, depicted the state restructuring process that has been underway since the 1980s as a necessary rehabilitation. He states that it is necessary to respond to “the need to limit and control the shifts in the economy”. For Strauss-Kahn, the government must only “compensate for market deficiencies and...reduce the uncertainties which are burdening corporations and slowing their development...in the context of market uncertainty, government can guarantee continuity”⁶²⁰. Indeed, this rehabilitation process is centred on making the government “a full-fledged economic partner”, with a role that is “being one of mediator”. By so doing, he argues, the government “contributes to strengthening the global competitiveness of the economy, a condition that is necessary for

⁶¹⁹ Jeffrey Sachs, “Competitiveness: the Year in Review”, *The Global Competitiveness Report 1997*, pp. 12.

⁶²⁰ Dominique Strauss-Khan, Former Minister for Industry and Foreign Trade, France, “A New Industrial Coordination”, *The World Competitiveness Report 1993*, pp. 273-4.

economic survival”⁶²¹. This state restructuring project and the concomitant to the (re)prioritisation of policymaking are part of what the Forum describes as “dynamic thinking about global competitiveness”⁶²², to which the GCR is a “valuable frame of reference”⁶²³.

In sum, the GCR’s neoliberal competitiveness discourse is one that builds on simply less state intervention in the economy in the old fashion way. This anti-statist approach was reconfigured later on in the discourse through demanding interventions that serve the interest of the enterprise and its competitiveness. The Forum’s discourse on the welfare state as part of its discourse of international competitiveness embodies a new demand over the state that is deemed necessary to strengthening the neoliberal foundation of competitiveness. In the next section, an analysis of the Forum’s position on social welfare is provided that highlights the way it is perceived to affect competitiveness and, thus, what the state should do in relation to their inherited social welfare programmes in order to strengthen and preserve the international competitiveness of their national economies.

7.2. Strengthening Neoliberal Competitiveness: The Discursive Reconfiguration of the Welfare State

The GCR’s competitiveness discourse goes beyond calling for a necessary restructuring of the state’s role in the economy and transforming its policies and priorities on a macroeconomic level. Its state restructuring discourse is contingent upon transforming the social welfare system dis-embedding it socially through political means. This has been made an imperative given its

⁶²¹ Suppiah. Dhanabalan, “Building an Efficient Economic Environment”, *The World Competitiveness Report 1993*, p. 274.

⁶²² Klaus Schwab, “Preface”, *EMF’s Report on International Competitiveness 1985*, p. 3.

⁶²³ Klaus Schwab and Derek Abell, “Preface”.

perceived paralysing effects on the international competitiveness of the state, its harmful effects on the fiscal and monetary stability of the economy as well as labour market flexibility in particular.

In the 1997 GCR, Jeffrey Sachs presented a year review of the status of world competitiveness. In his discussion of the factors determining its dynamics, Sachs positioned the government at the centre of the competitiveness framework. Firstly, for him, economic growth should be considered to be principally an outcome of global reforms of governmental economic policies ranging from the opening up national borders to international trade and finance, privatizing the public sector and promoting competition, to controlling inflation and upgrading infrastructure. Thus, a backward governmental profile in these respects is responsible for weakening competitiveness and, hence, would generate only slow economic growth, if any. To put it differently, bad governance manifests partly in bad governmental practices, particularly in relation to the rule of law and independence of the judiciary system as well as the effectiveness of legal system in terms of contract enforcement. The absence of these policies is usually taken in the report as the reason behind the failure of the post-communist transition economies to achieve steady growth rates. This framework of governmental action set by the Forum may sound very familiar by now, but the list of backward governmental practice is not confined to the above areas only. It is extended in Sachs's view to cover social welfare policies which he, and many at the Forum, argue is central to bad governance⁶²⁴. It is seen as counterproductive and destructive to business productivity and competitiveness.

⁶²⁴ Jeffrey Sachs, "Competitiveness: the Year in Review", pp. 12-18. Social spending on welfare programs in the 1970s and early 1980s accounted for a considerable part of governmental public spending and GDP (7 % of GDP in the UK, 14 % the US in 1982).

As we mentioned earlier, the report has always valued the socio-economic governance structure put in place in the East Asian countries compared to those adopted in many advanced capitalist countries. Governments in these countries are partners with private enterprises and mediators in times of class conflict and uncertainty. But what matters most is, compared to the western advanced economies, their small size due to the fact that they have “avoided some potential pitfalls of social security and welfare schemes adopted in Western Europe”, Hu points out⁶²⁵. This being the case, the tax burden on private investment and the public is usually low, which arguably incentivises more capital investment and motivates people to work. Disciplined fiscal policies and low budget deficit led these countries to be more successful at providing their economies with stable macroeconomic environment and better national saving rates and capital availability⁶²⁶. Moreover, the dynamism in the Asian economies is seen as sustainable because “an emphasis on self-help is preferred to having generous state welfare programmes”⁶²⁷.

In some of the Nordic countries like Denmark, the GCR regarded austerity policies in the mid-1980s to have been influential in restoring its international competitiveness “after many years of steady erosion of its international competitive position through overemphasis on the welfare state and heavy budget and balance-of-payments deficits”⁶²⁸. Nowadays, austerity has become a common governmental strategy to counter the inflationary pressure, resulting partly from social spending, and restore fiscal instability.

The social welfare state is principally rejected on the grounds that it slows down economic growth and hinders sustainable competitiveness. This is largely due to high social spending which results in higher taxes on businesses and thus less profit, and as a result, less capital accumulation. When the competitiveness of a country is defined by the wealth generated by

⁶²⁵ Fredrick Hu, “East Asia Record of Success”, p.33.

⁶²⁶ *Ibid.* p.34.

⁶²⁷ Suppiah Dhanabalan, “Building an Efficient Economic Environment”, pp. 272-80.

⁶²⁸ EMF, “The Executive Summary”, *EMF’s Report on International Competitiveness 1985*, p. 13.

the private enterprises, welfare policies produce structural deficiencies in the economy primarily represented in fiscal instability and demotivated, and ‘inflexible’, labour market. The result is less economic dynamism and lower, or at best unsustainable, competitiveness which naturally yields lower rates of economic growth and hardens recovery during crisis times.

In a section titled *The Welfare Trap*, the 1985 GCR explained how welfare policies affect competitiveness. It argued that social security contributions, paid by employers and employees, “drive up the total fiscal burden in many countries to such hard-to-bear levels”. This situation was felt by many governments in Europe which forced them to consider capping their social spending. The UK government was one of the first governments in Europe to plan a streamlining of its social security budget that reached over 39.5 billion pounds in mid-1980s, 30 % of the total government spending which benefits 20 out of 56 million citizens. The plan then was made to restructure social security and the welfare programmes in order to support only “the truly needy”⁶²⁹. A pattern in this direction can be also discerned in Britain nowadays, as will be shown in chapter Eight. The following statement on the assumed negative social impact of welfare programmes represents one side of the argument used in the GCR against welfare:

A poorly paid man has no incentive to earn more. If he did, not only would he pay more tax, but he would also lose benefits available to those with less than a certain income. If he has a family, he is even better off stopping work altogether because he would collect more in dole money and supplementary benefits⁶³⁰.

Thus, by implementing social protection policies, the state contributes to its own un-competitiveness and vulnerability in the global economy, and potentially drive its economy towards a recession. Labour market inflexibility caused by strict social protection rules, therefore, is a state-made problem and impinges on business profit and economic growth. When

⁶²⁹ EMF, “The Major Components of Competitiveness”, p. 78.

⁶³⁰ *Ibid.*

the US social security spending increased in the early 1980s to a level close to that of European states, the GCR considered it an alarming and dangerous move. Social protection schemes, inherited from the 1960s, such as “food stamps, Medicaid and Medicare, aid to poor families with dependent children, old-age pensions and disability grants” have drifted out of control and amounted to 42 % of the government budget⁶³¹. However, the Reagan administration’s attempt to bring the budget deficit down was perceived positively. As argued by the Forum, “a key plank in President Reagan's bid to bring down the huge budget deficit is to reduce this income transfer payment portion”⁶³². But overall, this structural imbalance of the US economy persisted towards the mid-1990s. The 1996 GCR viewed the 4th place scored by the US in the ranking as being caused mainly by of “its moderately high rates of government spending and taxation, its relatively low rate of national saving”, according to the US business community.

Moreover, Sachs and Warner conducted a study on the fiscal and economic costs of the social welfare programs that were fashionable, and still in some, European countries. Through their study, they highlighted the channels through which welfare programs hinder Europe’s competitiveness and economic growth. These are mainly three: inflexible labour markets, high government expenditure and state-provided pensions.

In figure 1 they presented their argument regarding the effects of the social welfare state on competitiveness. As pointed out in the diagram, the main argument made here is that a large social welfare state leads, in the long run, to high unemployment and low economic growth. One direct result of welfare programs, which is significantly related to the microeconomic foundations of competitiveness, is inflexible labour market, which leads to low employment growth and would “eventually lead to high unemployment”. As mentioned above, people

⁶³¹ *Ibid.*

⁶³² *Ibid.*

would arguably opt for unemployment in exchange for welfare benefits and business would be discouraged from hiring workers given the social security burden placed on them. The second effect of welfare policies is high government expenditure which is financed by higher taxes on income and profit. This, they contend, would create “serious economic distortions and can lead to ‘tax resistance’ (tax avoidance, tax evasion and political opposition to increased taxation), which in the end result in chronic deficits and low rates of government saving”. The third outcome appears through generous pension spending provided by the state which discourages the young generation from saving for contributing towards their own future retirement benefits. And, Sachs and Warner state, “depending on what happens to the dis-saving of older generations, this can reduce overall rates of private saving”⁶³³. Their analysis, they argue, can apply everywhere in Europe. They conclude that all the problems that Europe faced in the 1980s and 1990s were “closely related to the ambitious social welfare states of Europe”⁶³⁴.

From Sachs point of view, there is a recognizable difference between the Anglo-Saxon countries and the continental European ones. However, today more convergences can be observed than divergences. The former is characterised with a more flexible labour market and smaller social welfare states which translates into higher rate of employment and more successful job generation⁶³⁵. As the report points out, government spending amounts to 50% of GDP in Europe and 39 in Anglo-Saxon and 29 in the Enterpot countries. Hence, according to Sachs, Europe’s competitiveness challenge steams from the:

fiscal policy and labor market policy related to the extensive social welfare state put in place in the EU countries in past generation ... Europe’s social welfare system has substantially increased labor market

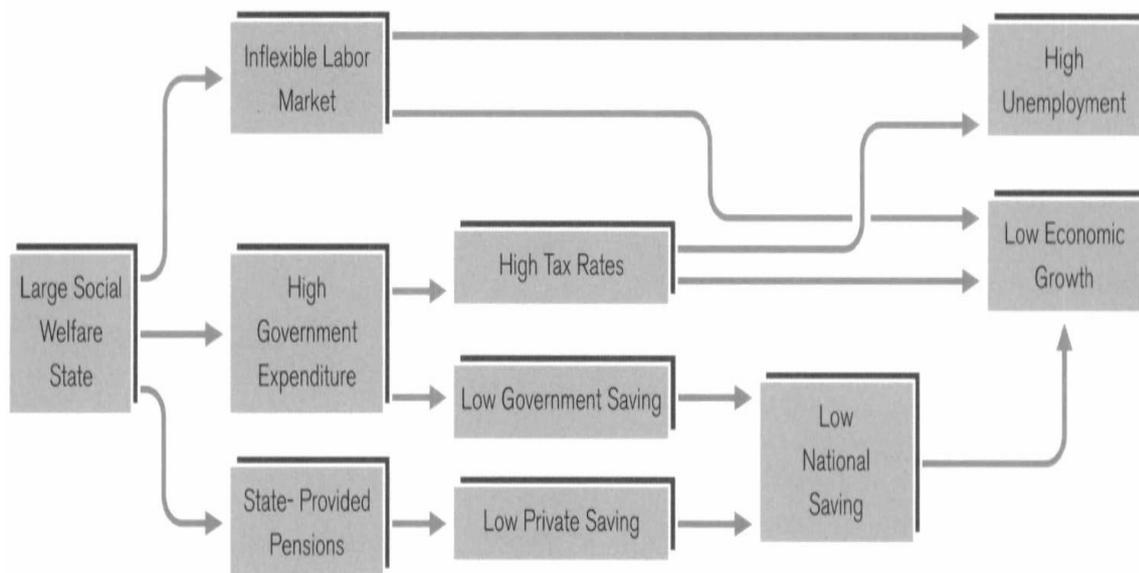
⁶³³ Jeffrey D Sachs and Andrew Warner, “The Social Welfare State and Competitiveness”, p.20.

⁶³⁴ *Ibid.* p.26.

⁶³⁵ Jeffrey Sachs, “Competitiveness: the Year in Review”, p. 15.

rigidities through regulations that limit the flexibility of wages, employment and working within enterprises⁶³⁶.

While some, like Garelli and Palan et al, believe that conditioning competitiveness on getting rid of social welfare in the manner argued here would impact on social cohesion through widening inequality and deepening the division between the rich and the poor, Warner disagrees with this assumption and holds an oppositional view. He maintains that contrary to the common belief that pursuing competitiveness leads to rising unemployment and income inequality, evidence from the ‘executive opinion survey’, that is the opinion of the business community in all the countries covered in the report, suggests no causal relationship between the two. Indeed, a more competitive country would have a gradual, although slow, rise in employment and equality compared to a less competitive country, he adds⁶³⁷. That is all taken with the assumption that there is no direct relationship between rising income gap and cuts in government spending, as evident in countries that experienced cuts and those that have not to the same extent.



⁶³⁶ *Ibid.*

⁶³⁷ Andrew Warner, “Income Distribution and Competitiveness”, *The Global Competitiveness Report 1998*, p. 30-37.

Figure 1: The effect of the social welfare state on competitiveness, Sachs and Warner, 1996.

In 1985, the GCR drew on a survey conducted on welfare and social security nets in the US by Louis Harris. The survey resulted in the following conclusion:

If the unprecedented numbers of jobless have not yet exhibited major overt discontent (by rioting, for example), it is only because of the cushion provided by extensive social-security nets built up during the years of heady economic growth. Now these nets are becoming wider-meshed to prevent their total collapse. Already there is widespread talk in Europe about the 'new poor' — the longer-term unemployed who are reduced to welfare benefits and charity. Their number cannot swell much more if social turmoil is to be avoided⁶³⁸.

This conclusion is repeated by a wealth of academics in the 21st such as Guy Standing in his seminal work on the Precariat and the threat of social unrest as a consequence of competitiveness policies. It also ties strongly to the widening gap between rich and poor, also highlighted in the same report where it states that the current “income and wealth differentials may not threaten political stability, but they are apt to erode social consensus”, considered vital for sustainable competitiveness⁶³⁹. This shows what value should be placed on the social role of the state and questions the gradual dismantling of the welfare system while unemployment is still high. However, the Forum's take is that welfare policies could be helpful at time when social consensus is endangered. The solution is to make the regulations of the labour market flexible in order to get people out of welfare and into work which is the source of welfare.

⁶³⁸ EMF, “The Major Components of Competitiveness”, p. 81.

⁶³⁹ *Ibid.* p. 83.

Claude Smadja, the Forums former managing director, illustrates the potential social and structural consequences that would be brought about by implementing competitiveness policies while turning a blind eye on the society⁶⁴⁰. According to Smadja, and in contrast with Warner, people and politicians should realise that improved competitiveness does not necessarily mean less unemployment. This fact explains the “pervasive feeling of insecurity throughout industrialized countries” among the jobless and those at work since the latter also have insecure jobs and stagnating wages. That is, economic liberalization and technological innovation leads to increasing jobs being lost which brings social dislocation to the open and, hence, endangers the very foundation of competitiveness. This danger, Smadja notes, is magnified when one considers the shrinking political power of trade unions and the influence of workers and the rise of shareholders’ interests at the expense of stakeholders. Since welfare policies are thought to have hindered the competitiveness of many industrialized countries, the solution he suggests is to have a sort of welfare that does not hold back competitiveness and growth. Every social model, in order to achieve competitiveness, has to focus on continuing its upgrade of its knowledge and information base. A model in which individual responsibility is valued over social and cultural advantages provided by the state. Spending on welfare should not deprive these areas from the necessary fund for its improvement. Similarly, in the 2014 GCR Corrigan argues that in order for welfare programs to be justifiable, it “needs to be well balanced and affordable”⁶⁴¹. Whilst it is certainly true that welfare helps preserving the cohesion of the society and brings stability to the economy, it is not enough for the ‘Forum’s boys’⁶⁴². Welfare programmes must take into consideration the increasing cost of businesses.

⁶⁴⁰ Claude Smadja, “Beyond the Statistics”, in the World Economic Forum (ed.), *The World Competitiveness Report 1996*, pp. 28-32.

⁶⁴¹ Gemma Corrigan et al, “Assessing Progress Towards Sustainable Development”, in the World Economic Forum (ed.), *The Global Competitiveness Report 2014-2015*, p. 61.

⁶⁴² We do realise that not all the contributors to the Forum’s discourse of competitiveness are males, the term ‘the forum’s boys’ is used to draw a parallel to the ‘Chicago boys’.

Thus, the rewards of competitiveness must be shared with the rest of the population in order for competitiveness to be sustainable, however, not through the preservation of welfare programs. Achieving this objective, according to Smadja, entails that competitiveness has to be more than a state project that aims to achieve economic growth and more than a corporate target to increase capital accumulation and profit. To strike a balance and compensate for some of the structural changes carried with competitiveness policies, both the state and the corporation need to cooperate. On the part of the government, rather than spending on welfare, it has to be efficient at “helping the population adjust successfully to a new, more demanding, less predictable environment”, Smadja argues⁶⁴³. The government creates a environment that is conducive to competitiveness for business and, through social and economic policies, which adjusts its population to such an environment. A manifestation of this today is the emphasis placed on education and training, labour market flexibility and welfare reforms. This argument is at the heart of the role of the state in achieving the social embeddedness of competitiveness. “Such policies can only be effective if they secure the workforce and society at large to prepare to withstand the impact of globalization by having the means to compete effectively in the world economy”.

This obviously indicates that the legitimacy of competitiveness as an institutionalised economic and social strategy can be established only when it is legitimised politically. Competitiveness has to be socially embedded in order to be sustainable. But, the enterprise is not without its responsibilities in this regard. “In some case”, Smadja argues, the concerns of the working class by the enterprise should be addressed if social disarticulation is to be avoided – a possibility whose implications in reality, and its timing and form, however, remain unclear. Some at the Forum suggest that the role of the private enterprise is to step into the education

⁶⁴³ Claude Smadja, “Beyond the Statistics”, P. 31.

market alongside the state and take a leading role in educating people to upgrade their skills to fit the needs of the new economy, with particular emphasis on education for technology⁶⁴⁴. Thus, the adjustment to the unpredictable environment of competitiveness is facilitated through education and being well-equipped to compete in the labour market for jobs rather than living on state welfare.

Furthermore, when the state's spending is directed towards productive arenas, such as education, that will improve the quality of human capital required by the market. But, first the demand for more skilled workers is conditioned on the status of the microeconomic environment in the country. Privatisation of state-owned enterprise does not increase prosperity automatically because efficiency has to be increased in the enterprise which in turn depends on the quality of business environment (factor conditions, demand conditions, related and supporting industries and the context for firm strategy and rivalry)⁶⁴⁵. What can be inferred from this is that the level of economic growth required for solving the structural problem of unemployment and growth sustainability is largely a matter of microeconomic restructuring. Otherwise, progress attained through macroeconomic reforms is only an "illusion", as Porter stresses⁶⁴⁶. To him, current failure that manifests in austerity and social disappointment in living standards and jobs has one sole explanation -- failure in understanding the indispensable and supplementary role of micro reforms.

The fact that some roles of the government are harmful to business activities and capital accumulation have become common sense in most countries. Crises have resulted in harsh lessons to be learnt. It has become increasingly clear that governments and businesses have to

⁶⁴⁴ See Macha Levinson, "Education for Technology or Technology for Education: the Dilemma of the New Economy", *The Global Competitiveness Report 2000*, pp. 86-91.

⁶⁴⁵ *Ibid.* p. 26, for the allocation of countries into economic stages see pages 27, 33, 34.

⁶⁴⁶ Michael E. Porter, "Building the Microeconomic foundations of prosperity", p. 20.

strictly play a ‘positive role’ in order for reap the benefits of globalization. The government “must set the right rules and incentives and make the public investments needed for a productive economy”⁶⁴⁷. It has to find ways to “mobilize the involvement of companies, educational and research institutions, and others through persuasion, incentives, and leadership” because competitiveness depends on “countries’ ability to build effective collaborative structures for delivering sustained upgrading of microeconomic fundamentals”⁶⁴⁸. Only then can the microeconomic competitiveness of the country “translate the opportunities created by the macroeconomic, political, legal, and social context and the endowments of natural resources and geographic location into prosperity”⁶⁴⁹.

Legitimizing competitiveness has become part of the state rehabilitation approach adopted by the Forum. Preparing the society to “withstand” the economic effects of globalization becomes very important with the shrinking power of trade unions, as there is a declining emphasis on welfare policies as a solution to social inequality and unemployment. The government, Levinson stresses, has to reform itself in an effective way so as to be best equipped to solve rising social tensions resulting from globalization. Societies must be integrated into the global political economy through mechanisms that allows sharing the benefits of globalization. The proposed integration will mainly take place, she asserts, through improving people’s education to generate the economic performance needed to reach competitiveness and to bridge the current gap between the two⁶⁵⁰. Governments should be able to predict the needs of business: “with the world in such a rapid flux of change, government policies must be nimble and quick,

⁶⁴⁷ *Ibid.* p. 22-23.

⁶⁴⁸ Michael Porter, Christian Ketels and Mercedes Delgado, “The Microeconomic Foundations of Prosperity: Findings from the Business Competitiveness Index”, p. 72.

⁶⁴⁹ *Ibid.* p. 53.

⁶⁵⁰ Macha Levinson, “Globalization: who looks after the people”, *The Global Competitiveness Report 1998*, pp. 64-8.

able to adjust not only to current requirements but to the emergent requirements of future industries and society”⁶⁵¹.

In sum, the Forum has always laid a considerable emphasis on the transformation of the extensive welfare policies still at play in many advanced capitalist economies. Extensive social welfare policies are seen as a double-edged sword. Although they may have a stabilising effect on the economy through protecting the poor, ill, and unemployed, their destabilising effects surpass the stabilising ones. That is, welfare state policies accelerate the cost and inflexibility of labour as well as increase the fragility of public finance and macroeconomic policies. Moreover, they “can hamper the incentives to work, innovate, and excel”, as restated by the 2014-2015 GCR. Box 1 presents typical WEF survey questions that are used to measure the flexibility of labour market and how social security regulations are imposed by welfare spending figure in this regard. In the early 2000s, the Forum’s discourse on welfare almost disappeared and the focus shifted to evaluating the adequacy of the government’s fiscal and monetary policies through measuring the direction of its funds and its impact on the productivity and profitability of the enterprise. To analyse this shift, we turn in the next section.

⁶⁵¹ Suppiah. Dhanabalan, “Building an Efficient Economic Environment”, p. 272.

Box 1: Survey Questions on Labor Market Flexibility

The minimum wage set by law in your country

Raises the pay of low-wage workers/is too low to affect wages

Hiring and firing of workers is

Impeded by regulations/flexibly determined by employers

Your country's unemployment insurance program

Has substantially increased labor market rigidities/has preserved labor market flexibility (In the 2001–2002 Survey, the answers are phrased as follows: Offers excessive benefits and may have actually increased unemployment/offers a good trade-off between social protection and preserving work-incentives)

Your country's social welfare and unemployment program

Deters citizens from entering the workforce/strongly encourages and supports participation in the workforce

Employer-worker relations in your country are

Generally confrontational/generally cooperative

Union power in your country is

High/low (In the 2001 Survey, the answers are phrased in this way:

Prevent productivity improvements/contribute to productivity improvements)

Wages in your country are

Set by a centralized bargaining process/up to each individual company

Pay in your country is

Not related to worker productivity/strongly related to productivity

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7.3. Productive Versus Wasteful Public Spending

In 1998, the GCI adopted a more sophisticated approach to the issue of public spending, most critical to the role of the state in the solidification of microeconomic competitiveness. Rather than designing an index that captures public spending, the focus shifted to measuring public waste based on the assumption that some types of public spending are productive and beneficial

⁶⁵² Table is taken from the 2001-2002 Report, Peter K. Cornelius and Young Zhang, "Labour Markets in Europe: Performance, Reform and Perception", p. 149.

to businesses while others are wasteful and harmful, i.e. extensive welfare, corruption and favouritism. The below variables were adopted as part of the waste index, which is a part of the Macroeconomic environment index of the GCI⁶⁵³:

- Extent of distortive government subsidies
- Diversion of public funds
- Public trust in the financial honesty of politicians⁶⁵⁴

The rationale for this step is justified by Sala-I-Martin, who quite rightly contends that “within government expenditure, wasteful and productive spending are bundled together”. Thus, separating the two is necessary “to capture just the ‘bad’ part”. The point stressed by the report is that only moderate government spending is good, a low or high spending are both bad for growth. He explains that “the idea is that useful public spending tends to increase the productivity of private firms, which leads to larger aggregate economic growth”. Nonetheless, public spending is seen harmful when it is financed by taxation which, as usually argued by businesses, has “a tendency to lower the private after-tax productivity of firms, which, in turn, lowers the rate of economic growth”. Conversely, the waste index recognises the disadvantages of small government; “if the size of the government is too small, taxes are low, but the beneficial side of public spending is insufficient”. This fact applies to property rights protection, the infrastructure and so forth. In short, governments need to strike a balance between being too small and too big. When it is small, in Sala-I-Martin’s words, increasing productive public spending by the government “would lead to a larger growth rate as the benefits from more productive public spending would more than offset the extra costs of

⁶⁵³ As we outlined in the previous chapter, the GCI was composed of three sub-indexes: The public Institution sub-Index, The Macroeconomic Environment subindex and the technology subindex. So the role of the state is also measured in the other indexes but to avoid repeating will focus only on the second one.

⁶⁵⁴ Xavier Sala-I-Martin, “Executive Summary”, in the World Economic Forum (ed.), *The Global Competitiveness Report 2003-2004*, p. xiii.

taxation”. In the opposite case, although high public spending could have its own benefits, “the distortions caused by all the taxes needed to finance it would more than offset the benefits”. The solution, then, is to cut spending and bring down the size of the government to stimulate economic growth. Thus, the purpose of the index is to find out what is the “optimal size” of the government in each country. “There is a size of public spending (as a fraction of GDP) for which the growth rate of the economy is the largest”⁶⁵⁵.

The financial crisis of 2007-8 signified a practical challenge to this view because of the resulting increased state intervention in the economy. Governments all over the world have attempted to compensate for market failure through various means, which encouraged many in academic and business circles to speak of the return of Keynesianism⁶⁵⁶. The crisis represents another turning point whose influence on the Forum’s discourse of competitiveness should not be ignored. It represents a threshold where the discourse received more momentum in order to avoid any backlash against the embeddedness of competitiveness within national economies and their societies as a result of the crisis. Once again, the state is called upon to act in the name of international competitiveness and sustainable economic growth. Its intervention, in many advanced economies, to shield the economy from sliding into more disastrous levels was not condemned by the Forum in terms of its necessity in a context of volatility and uncertainty. However, it was perceived as a result of unsatisfactory levels of competitiveness. The Forum’s GRC Reports, from 2008 to 2014, presented identical lines of circumstantial premises of the world economy within which the capitalist enterprise is operating and upon which the state must act. The opening statement of each report presents a set of circumstantial premises based

⁶⁵⁵ The Macroeconomic environment index includes: macroeconomic stability subindex and government subindex. , Jennifer Blanke, Fiona Puaa and Xavier Sala-I-Martin, “The Growth Competitiveness Index: Analysing Key Underpinnings of Sustained Economic Growth”, *The Global Competitiveness Report 2003-2004*, p. 7.

⁶⁵⁶ For a taste of the upsurge in academic writing on post-financial crisis Keynesianism, see Robert Skidelsky, *Keynes: The Return of the Master* (London: Allen Lane, 2009).

on certain value premises and aimed at achieving a group of goals premises through legitimating a claim for action.

Phrases such as “a time of multiple shocks to the global economy”, “rising inflation worldwide and the consequent slowdown in demand in many advanced economies”⁶⁵⁷ have dominated the Forum’s discourse in the years following the crisis. These and other phrases were used to portray the fatality of the situation. Upon such representation of reality, the Forum has put forward the course of the right action to achieve the goal of transcending the crisis. It was the state and its policymakers that are challenged to act in order to drag their economies out of the crisis, and it was through consolidating their international competitiveness that such goal is to be achieved. Governments, in the wake of the crisis, were seen as “struggling with ways of managing these multiple shocks intelligently while preparing their economies to perform well in an economic landscape characterized by growing volatility”⁶⁵⁸. When they stepped in and took actions aimed at easing out the financial and economic impact of the crisis in order to stimulate economic recovery and lift their economies out of recession, the Forum alarmed against the scope and scale of the governmental interventions and the measures deployed. These measures: banks bailouts, nationalisation, monetary and fiscal interventions, have brought up the question of the ‘optimal size’ of the government back again to the centre of the debate. What is stressed in response to these developments is not state intervention in this outdated and harmful manner but state intervention through strengthening the competitiveness of national economies as the ultimate goal to which governments must strive. As argued by Sala-I-Martin *et al*, it is only “competitiveness supporting economic environment can help

⁶⁵⁷ Klaus Schwab, “Preface”, *the Global Competitiveness Report 2008-2009*, p. xi.

⁶⁵⁸ *Ibid.*

national economies to weather business cycle downturns and ensure that the mechanisms enabling solid economic performance going into the future are in place”⁶⁵⁹.

Moreover, in 2011 the Forum perceived the economic recovery of the world economy as facing “a number of significant and interrelated challenges that could hamper a genuine upturn”. It stressed the need for a different action than the one taken. In order to effectively respond to such challenges policy makers are again viewed as not entirely competent enough to be able to manage these challenges while not losing sight of ways to sustain the performance of their economies in an “increasingly difficult and unpredictable global landscape”⁶⁶⁰. What the governments in most advanced economies have done in terms of stimulating the economy through more spending have eased the growth recovery and counterbalanced the recession. However, the soaring budget deficit and public debt, characteristic of most advanced economies and resulting partly from the stimulus plans and banking bailouts employed by governments, call for an urgent action on its part. What concerns the GCR mostly is the harmful impact these issues can have on the level of economic productivity, which is considered at the heart of the Forum’s microeconomic approach towards sustainable competitiveness and growth. As argued by Sala-I-Martin *et al*, when fiscal flexibility decreases, interest rates rise, and taxes will be driven up as a consequence of uncontrolled budget deficit and public debt. In other words, the government will not be able to sustain growth unless it spends on education, health and infrastructure. Also, the ability of the government to provide future stimulus packages will be minimised as a result. Moreover, future investment will be affected by rising interest rates on finance accompanied with rising taxes aimed to service debt repayment, which will drive savings up while pushing investment down. The ensuing vicious circle will produce

⁶⁵⁹ Xavier Sala-I-Martin et al, “The Global Competitiveness Index 2009-2010: Contributing to Long-Term Prosperity amid the Global Economic Crisis”, *The Global Competitiveness Report 2009-2010*, p. 3. Klaus Schwab, “Preface”, *the Global Competitiveness Report 2012-2013*, p. xiii.

⁶⁶⁰ Klaus Schwab, “Preface”, *the Global Competitiveness Report 2012-2013*, p. xiii.

lower growth rates in the long run⁶⁶¹. Therefore, their course of action was discredited as being not adequate enough to maintain a sustainable economic recovery.

According to Sala-I-Martin, “any exit strategies must be complemented by competitiveness-enhancing efforts aimed at improving the potential for growth in the medium to longer run, which will in turn help to eliminate fiscal imbalances”⁶⁶². The Forum’s twelve-formula competitiveness approach was seen as the answer to these turbulent conditions. What is distinctive about the Forum discourse on competitiveness, in the eyes of its proponents and in the context of the crisis and the strive for a sustainable recovery, is what it can offer to policymakers in all states; a “platform for dialogue among government, business, and civil society that can serve as a catalyst for productivity-raising reforms, with the aim of boosting the living standards of the world’s citizens”⁶⁶³. So the state is again demanded to steer its policy making to pre-crisis limits. In combating such a complex and challenging situation, the GCR provided the following prescription to the G20 leaders meeting in Toronto in November 2011:

The challenge will be to implement fiscal adjustment without undermining the frail economic recovery in the shorter term. Although this may seem politically painful, recent research shows that governments that implement painful budgetary reforms tend to be rewarded politically. Fiscal consolidation will have to be accompanied by structural reforms in order to increase overall competitiveness. By sending a signal, these reforms can mitigate the negative effect of fiscal tightening on short-term growth, but they will also enhance growth in the longer term, which in turn will improve the fiscal position⁶⁶⁴.

⁶⁶¹ Xavier Sala-Martin et al, “The Global Competitiveness Index 2010-2011: Looking Beyond the Global Economic Crisis”, *The Global Competitiveness Report 2010-2011*, p. 6.

⁶⁶² Xavier Sala-Martin et al, “The Global Competitiveness Index 2010-2011: Looking Beyond the Global Economic Crisis”, p. 3.

⁶⁶³ Xavier Sala-I-Martin et al, “The Global Competitiveness Index: Prioritizing the Economic Policy Agenda”, *The Global Competitiveness Report 2008-2009*, p. 36.

⁶⁶⁴ Xavier Sala-Martin et al, “The Global Competitiveness Index 2010-2011: Looking Beyond the Global Economic Crisis”, p. 7.

The nature of these structural reforms are explained by Sala-I-Martin et al in the following statement:

The risks to the global economic outlook remain very real. Past measures, mainly based on expansionary monetary policies, have helped to temporarily avoid a deeper recession and set the foundations for the global recovery in the short term. However, ensuring sustained growth in the long run will depend not on monetary policies, but on boosting the level of productivity of economies. In order to achieve higher levels of productivity, new actions in terms of engaging in much-needed structural reform and productivity-enhancing investments are required. These measures are not only important, as they have always been, but they are also becoming urgent if we are to solidify and accelerate the recovery to create new opportunities and new jobs for larger segments of the population.⁶⁶⁵

Growth can be revived to its pre-crisis levels. A financial meltdown as well as severe sovereign debt crises could be avoided once policymakers ensure their competitiveness fundamentals are put in place. Policymakers “must avoid complacency and press ahead with the structural reforms and critical investments required to ensure that their countries can provide a prosperous environment and employment for their citizens”⁶⁶⁶. Schwab maintains that achieving that is facilitated through a proper “understanding of the key factors that determine economic growth” upon which countries have to benchmark themselves in relation to other more or less successful countries when it comes to maintaining income levels and living standards. The Forum’s GCR and its competitiveness approach “offers policymakers and business leaders an important tool for formulating improved economic policies and institutional reforms”⁶⁶⁷. Building national economies on the Forum’s GCR tools is a condition to achieve what Schwab “quality

⁶⁶⁵ Xavier Sala-I-Martin et al, “The Global Competitiveness Index 2014-2015: Accelerating a Robust Recovery to Create productive Jobs and Support Inclusive Jobs”, *The Global Competitiveness Report 2014-2015*, p. 4.

⁶⁶⁶ Klaus Schwab, “Preface”, *The Global Competitiveness Report 2013-2014*, p. xiii.

⁶⁶⁷ *Ibid.*

growth”⁶⁶⁸. A growth that accounts for inclusiveness and the environment, but one which is fundamentally established on the microeconomic-generated welfare.

In sum, the forum’s discourse of competitiveness has shifted towards attempting to consolidate the international competitiveness of the state through encouraging a productive public spending, one that boosts productivity and profitability contrary to welfare spending. The new framework values public spending on education, training and infrastructure. This type of spending is assumed to trigger productivity, growth and employment. As such, instead of allowing spending to minimise the returns on investment through constraining social security rules and welfare benefits that affects profit making through taxes and less exploitation of labour, the demand is for spending that maximises profit and allows further exploitation through flexibility in the labour market. Only these reforms by the state can strengthen its international competitiveness and growth potentials as opposed to social welfare spending which is harmful to business productivity and growth prospects.

Conclusion

With this chapter, a more comprehensive analysis of the WEF’s discourse is reached, all components of the WEF’s discourse were unravelled. I have made the case that this step is important in order to explain the sphere within which the interaction between different members and participants of the Forum interact. It is this discourse that is meant to shape the actions of all actors involved in its activities. It is aimed at setting the grounds for the sort of

⁶⁶⁸ Klaus Schwab, “Preface”, *The global Competitiveness Report 2011-2012*, p. xiii.

actions desired for a smooth functioning of the capitalist economy and continuous reproduction of favourable conditions for capital accumulation.

I have argued that the current Forum's competitiveness discourse has been built through two complementary phases. The first is based on embedding an orthodox neoliberal paradigm of competitiveness that is focused on an opposition to the old-fashioned interventionist state. Whether in the form of the ownership of the means of production or overregulation of the market, state intervention is seen as counterproductive, inefficient and harmful to sustainable economic growth. The second phase is based on a reorientation of the role of the state in the economy towards performing activities that strengthen the productivity of its economy. Specifically, rather than spending on welfare, the state is required to direct its spending towards productive activities such as education, training and infrastructure. While the first type of spending is perceived to impinge negatively on the business through taxes, rigid labour market, inflation and less ability to generate jobs, the second is believed to be supportive of the productivity of the enterprise through setting up the conditions for profitmaking allowed through flexible utilisation of human resources. Thus, it is only when the state concentrates its intervention on strengthening the productivity of the enterprise that its international competitiveness becomes sustainable. This sustainability is conditioned upon the transformation of the welfare state entrenched in the structure of most advanced economies. Microeconomic reforms are at the heart of the socialisation of competitiveness into the society pursued to create a competitive society that accepts welfare to be a function of increased business productivity rather than a state duty.

What the analysis in this chapter has revealed is that for competitiveness to work effectively for the TCC, it is important to target those areas of state interventions that are closer to labour,

to elicit a different form of management of its relation with capital. Welfare policies are seen as the main obstacle for a successful business and unhindered capital accumulation. From an Open Marxist perspective, the Forum's competitiveness discourse has shifted towards emphasising state reforms that seem indispensable to avoid any disruption to the reproduction of capital within national economies. An entrenched welfare state presents capital with the challenge of containing labour within its own limits. It permits vast segments of labour to escape the exploitation of capital and, most importantly, hinders a further exploitation of the employed labour. A social welfare state is seen as a form of national management of capital-labour relations that makes the economy unattractive to global capital and, thus, results in weaker ability of the state to immobilise capital within its jurisdictions. Higher taxes to finance welfare spending, the resultant inflexibility in the labour market, and the accompanying low productivity levels are some of the negative externalities that a welfare state imposes on capital.

As will be demonstrated in the next chapter, the Forum's competitiveness formula has proven to be a tough political task in most capitalist democracies, especially in times of crisis like that of 2008, where the social embeddedness of competitiveness has never been strongly established and will never remain unchallenged. The current welfare reforms taking place in many advanced economies are undeniably a result of the state's response to the development of the national conditions of production driven by class relations. However, the scale of such reforms and their capital reproduction effects vary between countries. This is due to different relationships of each state to global capital and varying conditions, and the state management, of capital-labour relations, which ultimately determine the extent of the state's receptiveness to the discourse of international competitiveness of global policy groups.

In Chapter Eight I will analyse the response of the British state to the imperative of competitiveness in order to determine the influence the discourse has on its policymaking process. I will attempt to show to how its distinctive relationship to global capital and how its nature of class relations have determined the state's form of management of capital-labour relations. That is, I will analyse the type of competitiveness discourse has been adopted in the UK and the extent to which the WEF's discourse figures into its policymaking.

Chapter Eight

The Institutionalisation of Competitiveness in the UK

In the previous chapter it was argued that in order to comprehensively investigate the influence of the WEF's competitiveness discourse, one should pay attention to the emphasis it places on transforming the welfare state as an obstacle hindering the macro and microeconomic competitiveness of the state. I argued that taking the analysis in that direction, which is missed in the literature, is significant for reaching a well-informed argument regarding the role of the WEF in the rule-making of 21st century. It was shown that the welfare state, in its traditional structure, is perceived to generate high unemployment and low economic growth. Specifically, when welfare policies are entrenched in society, they lead to labour market inflexibility, which in turn, affects the productivity of the enterprise and its competitiveness. Among other things, the Forum argues that welfare, as a form of managing capital-labour relations, increases the dependency of people on the state for delivering high living standards and deprives the market for opportunities of further exploitation of labour. Moreover, and most importantly, the state's social welfare spending drives up taxes and decreases the funds available for more productive public investments necessary for the competitiveness of the enterprise, such as education, training, and infrastructure. Therefore, a crucial task for strengthening the microeconomic foundation of international competitiveness is to dis-embed state-led welfare from the society and emphasise work, productivity, enterprise and prosperity as a source for people's welfare. Hence, on the one hand, the state must transform the welfare state into a system that provides only for those truly in need. On the other hand, the state has to guarantee an enhanced productivity for the enterprise through a flexible labour market structure and an adequate allocation of public funds, as well as an upgrading its education and infrastructure systems. In so doing, the macro and microeconomic foundations of the state's competitiveness will function effectively to enhance the conditions of capital accumulation within the state's jurisdictions. They will allow a reproduction of class relations, of exploitation and domination, of the capitalist social relations of production.

Once the WEF's competitiveness discourse is comprehensively examined, one can assess its alleged influence on national policy-making more adequately. Since the sphere of interaction between the Forum and the state is made more elaborate now, the analysis can be developed to produce a more accurate understanding of the nature of change in the state's social and economic policies. It will be possible to assess whether state restructuring is imposed by the TCC and its agents or generated by national conditions and class relations. Consequently, a conclusion can be drawn about the actual agency of change, class struggle or a transnational capitalist class, and the nature of the role of the state in the capitalist society, to serve the interest of the capitalist or manage capital-labour relations within and beyond its borders.

In this chapter, I will analyse the embeddedness of the competitiveness discourse in the UK with a specific interest in assessing whether or not the WEF's discourse has an influence over the state's policymaking process and policy debates in the country. It will argue that while it is certainly true that the state policymakers have internalised a competitiveness discourse and become to some extent "place sellers", as Fougner argues, the engagement of the British state with the competitiveness discourse has been conditioned by the specific needs of the economy originating from its national class relations and from the need of the state to manage these relations in a way that sustains the reproduction of capital within its jurisdictions. I will show how the UK's competitiveness discourse has effectively been constructed as a response to the national conditions of capital-labour relations that reached its crisis limits towards mid-1970s, rather than being a response to the WEF's discourse. The economic recession of the 1970s led to the decline of the productivity to an extent that capital could not reproduce itself effectively due to the increasing power of labour unions and rising unemployment rates in post-war Britain.

Almost all states have engaged one way or another with a certain competitiveness discourse. However, external actors, such as the WEF, have not prescribed this engagement. This is not

to suggest that the Forum's discourse has no place in British politics. Rather, the UK has engaged selectively with the discourse where national conditions have produced a UK-specific competitiveness discourse to respond to its own needs of managing the circuit of capital necessary to sustain the reproduction of capitalist social relations of production. The appearance of the WEF's discourse within the UK's discourse has increased throughout the years beginning in the first decade of the century. Specifically, the GCR has been utilised as a source of evidence that informed policymaking, alongside other sources such as IMD, IMF, and WB.

The first section of the chapter sheds light on the politics of competitiveness in the UK with specific focus on the process of the internalisation of the term in political debates which started has started since the 1970s. It will situate the discussion within the existing debates within the UK that is centred on productivity, economic growth and employment in order to give an idea about the nature of the debate to which competitiveness has been internalised. The second section will analyse the institutionalisation of competitiveness in the UK. It will concentrate on the work of the Department of Business, Innovation and Skills (BIS) as it was the first department that has developed the UK's response to the need of internalising competitiveness and benchmarking into the policymaking process in mid-1990s. The chapter will conclude, confirming with the thesis's Open Marxist framework, that the British state's competitiveness discourse has originated from its own national conditions of capital accumulation, from a role of the state that is focused on the management of the relationship between labour and capital in the country. The WEF's discourse and rankings have been utilised during such process but never was taken as the sole evidence and formula for national policy-making. The globalising British politicians are not members of the TCC or agents of the Forum as the TCC and international competitiveness literature argues. They are capital circuit managers who seek to reproduce capital accumulations, and capitalist social relations of production, within the

borders of their state in order to preserve the social order through enhancing employment, economic growth and living standards.

8.1. Competitiveness: a Discursive Tool for Policy Reform

Contrary to the common belief that competitiveness has become a key theme occupying the policymaking in the UK since the 1990s as some believe⁶⁶⁹, their engagement with the term dates further back. Perhaps without much variance from other advanced economies, governments in the UK started adopting the concept of competitiveness in policy debates as early as 1961. Prime Minister Harold Macmillan argued for a temporary wage pause in order to maintain the competitiveness of the British economy that was threatened by dawdling labour productivity⁶⁷⁰. Then, competitiveness was defined in productivity terms, which is still largely the case today. However, what has changed is the extent to which the term has penetrated policy debates and, most importantly, policymaking. Today, all major UK parties use the term as a panacea for unemployment, slow economic growth and low living standards. They differ nonetheless in the way they operationalise the term through institutional change, which reflects different understandings of economic resilience and sustainability, let alone varying ideological conceptions emanating from different perceptions of how class relations should be managed and how capital should be reproduced. Thus, the resulting policy reforms undertaken in the name of competitiveness differ and so does the impact they have on the country's social and corporate welfare. This section is divided into two parts. Part one takes stock of the UK Conservative Party's take on the issue of competitiveness between 1979 and 2014 with regard

⁶⁶⁹ This is the main argument made in Walter Eltis and David Highman, "Closing the UK Competitiveness Gap", *National Institute Economic Review*, 154:1 (1995), pp. 71-84.

⁶⁷⁰ Harold Macmillan, "Leader's speech", 1961, *BritishPoliticalSpeech*, <http://www.BritishPoliticalSpeech.org/speech-archive.htm?speech=110>, (accessed March 1, 2015).

to their discourse on the subject, the sources and obstacles to the competitiveness of the UK. In the second part, I will consider the Labour Party's discourse on the same issues.

8.1.1. The Conservative Turn: 1979-2014

The principle underlying the Conservatives' commitment to competitiveness today has been set by Thatcher during her term in office. In 1980, she argued that in order for the UK to build a "healthy society", she first needs to build a "healthy economy"⁶⁷¹. As will be discussed in this section, the Conservatives' perception of a healthy society is one where duty, rather than right, is embedded in people's belief and practice. The first appearance of the term competitiveness in policy debates in the UK came long before the WEF was founded and long before it started reporting on it. In 1961, Macmillan called for establishing a government body charged with improving the competitiveness of the British economy, which was beleaguered by wages running ahead of productivity⁶⁷². Thus, the National Economic Development Council was set up in 1962 to serve as an advisory body to the government to pull Britain out of the recession and to plan future strategies for businesses and industries. The Council was composed of management, trade unions and the government representatives, which is an embodiment of the "politics of consensus" prevalent at the time. However, the Council was ignored by Thatcher and eventually abolished in 1992⁶⁷³. Towards the late 1960s, employment, sustained growth with low inflation and higher living standards have preoccupied political leaders and formed a large part of their campaign materials. Elections have been fought on public spending and taxes in the

⁶⁷¹ Margaret Thatcher, "Speech to Conservative Party Conference", October 10, 1980, *Margret Thatcher Foundation*, <http://www.margaretthatcher.org/speeches/displaydocument.asp?docid=104431>, (accessed March 1, 2015).

⁶⁷² Harold Macmillan, "Leader's speech", 1961, *BritishPoliticalSpeech*, <http://www.BritishPoliticalSpeech.org/speech-archive.htm?speech=110>, (accessed March 1, 2015). See also Margaret Thatcher, "Speech to the Conservative Party Conference", October 11, 1968, *Margret Thatcher Foundation*, <http://www.margaretthatcher.org/speeches/displaydocument.asp?docid=101632>, (accessed March 1, 2015).

⁶⁷³ See Margaret Thatcher, "Speech to Conservative Party Conference".

economy and society. Therefore, state intervention to cure employment through higher public spending is rejected on the grounds that it is harmful to businesses and “can be the very vehicle that leads to losing jobs and causes bankruptcies in trade and commerce”⁶⁷⁴. The Conservative Party therefore has a strong belief in competitiveness entailing the reduction of public spending and taxes and rolling back all possibilities of its increase, especially welfare spending. Thatcher sought to build a country “where people are more independent of the state”. She believed that relying on the state to improve one’s standards of living is wrong and brought only harm to the UK’s competitiveness as it legitimised strikes and business disruption. Better living standards are only delivered by rising productivity and growth which only businesses, not the government, can deliver⁶⁷⁵. Against a rate of three million unemployed, Thatcher’s persuasion that this “human tragedy” can be only solved by “getting more business” as a solution to the country’s employment and growth problems gave momentum to privatisation⁶⁷⁶. It was seen key to boosting efficiency and the motivation of employees and employers, which yields higher returns on work, investment and its expansion⁶⁷⁷.

Thatcher criticised the labour’s class-warfare-fuelled campaigns as being outdated. She argued that “class warfare is immoral, a poisonous relic of the past”⁶⁷⁸. In fact, she believed that it was trade unions that endangered the British economy by turning the workplace to a “battlefield”, which eradicates the possibility of reaching common grounds for reconciling the interests of

⁶⁷⁴ *Ibid.*

⁶⁷⁵ Margaret Thatcher, “Victorian Values”, TV Interview for London Television Weekend, Weekend World with Brian Walden, June 16, 1983. <http://www.margaretthatcher.org/speeches/displaydocument.asp?docid=105087>, (accessed March 4, 2015).

⁶⁷⁶ Margaret Thatcher, “Speech to Conservative Party Conference”. See also Margaret Thatcher, “I like Mr Gorbachev, We can do Business Together”, TV Interview with the BBC, December 17, 1984, *Margret Thatcher Foundation*. <http://www.margaretthatcher.org/speeches/displaydocument.asp?docid=105592>, (accessed March 2, 2015); and Margaret Thatcher, “Speech to the College of Europe”, September 20, 1988, *Margret Thatcher Foundation*. <http://www.margaretthatcher.org/speeches/displaydocument.asp?docid=107332>, (accessed March 10, 2015). Margaret Thatcher, “Speech to the Conservative Party Conference”, October 12th 1984, *Margaret Thatcher Foundation*. <http://www.margaretthatcher.org/document/105763>, accessed on 1st March 2015, (accessed March 3, 2015).

⁶⁷⁷ Margaret Thatcher, “Speech to the Conservative Party Conference”, October 12th 1984.

⁶⁷⁸ Margaret Thatcher, “Speech to the Conservative Party Conference”, October 13, 1978. *Margaret Thatcher Foundation*. <http://www.margaretthatcher.org/document/103764>, (accessed March 10, 2015). See also Margaret Thatcher, “Speech to the Conservative Party Conference”, October 12, 1984.

employers and employees in order to make business competitive in the global market⁶⁷⁹. Therefore, she demanded flexibility by trade unions in exchange for job security⁶⁸⁰. Against the backdrop of high government spending, inflation and the industrial situation of the late 1970s, Thatcher contended “the real problem is that we have lived through a long period of increasing trade union power”. Such a situation disadvantaged businesses as wages and rights have become embedded in the law, as in the case of the 1974 Act where the state offered easy deals to unions in return for only limited cooperation⁶⁸¹. To unions and the government she said, “we must create extra wealth, produce more goods and services and increase the slice of the cake before we can decide how that extra shall be sliced up”⁶⁸². It was believed that when the labour market is disrupted through wage negotiations protected by institutional arrangements, labour costs do not adjust based on supply and demand of skills, which means that “adjustments take place via changes in the quantity of employment”⁶⁸³.

Furthermore, Thatcher argued that taxes discourage people from work and push them to welfare as income attained from the latter is almost equal to the one earned by work⁶⁸⁴. In 1978, the number of people on national assistance reached 5 million. Thatcher went on to accuse Labour of being responsible for poverty because they focus “far too little on wealth creation and far too much on redistributing what there is”⁶⁸⁵. Therefore, unions should “bargain responsibly”⁶⁸⁶. They should realise that they are their own “worst enemies”, who impose

⁶⁷⁹ Margaret Thatcher, “Speech to the Conservative Party Conference”, October 13, 1978.

⁶⁸⁰ Margaret Thatcher, “Speech to the Conservative Party Conference”, October 12, 1984. To support here point, Thatcher cited the 1944 Employment White Paper which stated that the economic success of the UK will depend on “support of the community as a whole and especially on the efforts of employers and workers in industry”. Lord Woolton, “Employment Policy”, London, 1944, Cmd. 6572.

⁶⁸¹ Margaret Thatcher, “Industrial Situation”.

⁶⁸² Margaret Thatcher, “Manifesto Lunch”, General Elections Press Conference, April 11, 1979, *Margaret Thatcher Foundation*. <http://www.margaretthatcher.org/document/104000>, (accessed March 10, 2015).

⁶⁸³ Horst Siebert, “How competitive is Europe’s labor?” in WEF (eds.), *The Global Competitiveness Report 1999*, p.90.

⁶⁸⁴ Margaret Thatcher, “Industrial Situation”. See also Margaret Thatcher, “Victorian Values”.

⁶⁸⁵ Margaret Thatcher, “Debate on the Address”, House of Commons Speech, November 1, 1978, *Margaret Thatcher Foundation*. <http://www.margaretthatcher.org/document/103770>, (accessed March 6s, 2015).

⁶⁸⁶ Margaret Thatcher, “Victorian Values”.

restrictive practices that impinge on productivity and business prosperity, which results eventually in high unemployment⁶⁸⁷.

Calling for labour market flexibility has become entrenched in the Conservative politics since Thatcher's arrival to power. Jobs cannot be created "without the willing cooperation not only of employers but of trade unions and all of the workforce"⁶⁸⁸. She tried to convince workers that "it is the spirit of enterprise that creates new jobs and it is Government's task to create the right framework"⁶⁸⁹. Furthermore, Thatcher argued that "the great mistake" that caused distrust in politics had a lot to do with "too much government"⁶⁹⁰. The government should only intervene when market imperfections exceed the imperfections that would result from the intervention of the government⁶⁹¹. Primarily, the government's role is "to rebuild a free and prosperous Britain", which, arguably, will be made easier when bargaining is distanced from government's interference⁶⁹². Like many Conservative leaders, Thatcher believed that the state should care only for a well-functioning economy and businesses. When the economy runs freely of any disruptions, it is simply then that everyone gets his right and will be able to perform his duty. She argued, "We should have far too great respect for the state to allow it to extend its tentacles too far"⁶⁹³. In addition to defence and social services, the state must focus on supporting the well-functioning of enterprise through: enforcing contracts, encouraging market competition, guaranteeing fair trade, maintaining regulation of health and safety standards⁶⁹⁴. Thus, the competitiveness of the UK declines as a result of the absence of "free

⁶⁸⁷ Margaret Thatcher, "Speech to the Conservative Party Conference", October 13, 1978.

⁶⁸⁸ Margaret Thatcher, Speech to the Conservative Party Conference, October 12th 1984.

⁶⁸⁹ *Ibid.*

⁶⁹⁰ Margaret Thatcher, Speech to the Conservative Party Conference, October 11th 1968.

⁶⁹¹ Nigel Lawson, "The economic Perils of Thinking for the Moment", September 14, 1978, *Margaret Thatcher Foundation*. <http://www.margaretthatcher.org/document/114081>, (accessed March 6s, 2015).

⁶⁹² Margaret Thatcher, "Speech to the Conservative Party Conference", October 13, 1978.

⁶⁹³ Margaret Thatcher, "the Ideals of an Open society", Speech to the Bow Group, May 6, 1978. *Margaret Thatcher Foundation*. <http://www.margaretthatcher.org/document/103674>, (accessed March 9, 2015). See also John Major, "Conservative Party Manifesto", April 9, 1992, *The Rt Hon Sir John Major KG CH*. <http://www.johnmajor.co.uk/page86.html>, (accessed March 10, 2015).

⁶⁹⁴ Margaret Thatcher, "the Ideals of an Open society".

enterprise”⁶⁹⁵. She argued that the Conservatives are not anti-state but “the essence of a free society is that there are whole areas of life where the state has no business at all, no right to intervene”⁶⁹⁶. This is the main condition for realising common interest and founding a competitive and healthy society.

Like Thatcher, while in power Major opposed an interventionist role of the state. For him, minimum wage and corporate taxes aren’t in Britain’s interest as they create the opposite of employment⁶⁹⁷. He contended that minimising the power of trade unions that was initiated throughout the 1980s is one of the reasons why the UK has become “the number one location for foreign investment in Europe” in the 1990s in the face of global competition⁶⁹⁸. In a speech to the Conservative Party conference in 1992, he stated that:

Our families are growing up in a different age. They know we can't pull up the drawbridge and live in our own private yesterday. They know we live in a world of competition - and we can't just wish it away. Change isn't just coming, it's here. I want Britain to mould that change, to lead that change in our own national interest⁶⁹⁹.

Therefore, to adapt to increasing global competition, Major contends that the role of the government is to help people leave welfare and get back to work through training, counselling and improving their skills. Major tried to place welfare in a framework that does not harm business. He called for a welfare system that provides only “a safety net” for those truly in need, welfare must not turn into a “way of life”. Thus, a welfare system should be affordable

⁶⁹⁵ Margaret Thatcher, Speech to the Conservative Party Conference, October 13th 1978.

⁶⁹⁶ Margaret Thatcher, “the Ideals of an Open society”.

⁶⁹⁷ John Major, “Mr Major’s 1991 Conservative Party Conference Speech”, October 11, 1991, *The Rt Hon Sir John Major KG CH*. <http://www.johnmajor.co.uk/page863.html>, (accessed March 12, 2015).

⁶⁹⁸ John Major, “1997 Conservative Party Manifesto”.

⁶⁹⁹ John Major, “Mr Major’s Speech to 1992 Conservative Party Conference”, October 9, 1992. *The Rt Hon Sir John Major KG CH*. <http://www.johnmajor.co.uk/page1208.html>, (accessed March 12, 2015).

and cause as little burden through taxes as possible⁷⁰⁰. Welfare schemes like the Jobseeker's Allowance and family Scheme were therefore designed by Major's government to help "curbing welfare fraud" and motivate people into employment instead of benefits. It was, and still today, based on the conviction that in order to enhance their living standards, "the unemployed have a responsibility to look for work and accept a reasonable offer"⁷⁰¹. In order to build a competitive economy and create jobs, "the something for nothing culture" has to end, "If you don't take a reasonable offer of a job, you lose benefits."⁷⁰²

Furthermore, Cameron criticised labour's drive for business regulations as a strategy to protect people in the age of globalisation and intense global competition. Regulations, he argues, should be "well-intentioned" in order to not to make the UK "less secure ... less able to provide the jobs, wealth and opportunity on which well-being depends". Thus, the optimal policy to protect people in a context of global competition is to "say to business: yes you should look after your workers, yes you should look after your community, yes you should look after our environment". According to Cameron, regulations should focus on making the national environment "easier to start a business...to employ someone". He notes, "We want companies to create their own solutions to social and environmental challenges, because those are the solutions most likely to last"⁷⁰³. In order to enhance the competitiveness of Britain, business must be given "the tools they need" which will help reaching a sustainable level of economic

⁷⁰⁰ John Major, "Text of the 1996 Budget", November 26, 1996, *The Rt Hon Sir John Major KG CH*. <http://www.johnmajor.co.uk/page4286.html>, (accessed March 13, 2015).

⁷⁰¹ John Major, "1997 Conservative Party Manifesto".

⁷⁰² David Cameron, "Leader's Speech", October 1, 2008, *BritishPoliticalSpeech*.

<http://www.BritishPoliticalSpeech.org/speech-archive.htm?speech=153>, (accessed March 13, 2015). See also David Cameron, "Fixing a Broken Society", July 7, 2008, *BritishPoliticalSpeech*. <http://www.BritishPoliticalSpeech.org/speech-archive.htm?speech=348>, (accessed March 17, 2015); David Cameron, "Leader's Speech", October 10, 2010, *BritishPoliticalSpeech*. <http://www.BritishPoliticalSpeech.org/speech-archive.htm?speech=214>, (accessed March 17, 2015).

⁷⁰³ David Cameron, "Leader's Speech", October 1, 2006, *BritishPoliticalSpeech*.

<http://www.BritishPoliticalSpeech.org/speech-archive.htm?speech=314>, (accessed March 12, 2015).

growth⁷⁰⁴. Therefore, he calls for reducing red tape, tax, stable banking system, skilled workers, effective competition regime, modern infrastructure, effective IPRs regime, and open government procurement.

Thus, it can be argued that the Conservatives' competitiveness discourse to some extent bears similarity with the WEF's approach of competitiveness represented most in Porter's microeconomic competitiveness approach where social and environmental sustainability are accounted for by market forces. As will be illustrated below, Labour's account is not much different. It does however present a more socially accountable approach to competitiveness.

8.1.2. Labour Speaking the Common Language: No Power to Trade Unions

“A decent society is not based on rights. It is based on duty. Our duty to each other. To all should be given opportunity, from all responsibility demanded”⁷⁰⁵.

Tony Blair, 1997.

The continuous economic growth of 1950s and 1960s gave labour enormous power, more accumulation of capital led to expansion of jobs. This, in turn, led to wage rise and unions became powerful negotiators of employment rights and welfare. According to Glyn, this made industrial conflict frequently present. However, as unemployment swelled and market forces took precedence over state intervention in late 1970s, he argues, labour “was forced onto the defensive, if not into retreat”⁷⁰⁶. Productivity levels were then, and still are today, the primary criticism against trade unions and leftist political parties. Union power is seen as the reason

⁷⁰⁴ David Cameron, “Transforming the British Economy: Coalition Strategy for Economic Growth”, May 28, 2010, *BritishPoliticalSpeech*. <http://www.BritishPoliticalSpeech.org/speech-archive.htm?speech=351>, (accessed March 12, 2015).

⁷⁰⁵ Tony Blair, “Leader’s Speech”, September 30, 1997, *BritishPoliticalSpeech*. <http://www.BritishPoliticalSpeech.org/speech-archive.htm?speech=203>, (accessed March 17, 2015).

⁷⁰⁶ Andrew Glyn, *Capitalism Unleashed: Finance, Globalization, and Welfare* (Oxford: Oxford University Press, 2006), P. 104.

why productivity declined in the UK. From 1979, Glyn notes, productivity started rising again as a manifestation of weak union power and, by implication, as a materialisation of increased exploitation. Higher productivity meant higher work intensity. However, when GDP per capita experienced slow growth in the 1990s and early 2000s (slower than 1973-9 rates), Glyn states it was evidence against all those who believed that “unleashing the free market would restore rapid growth”⁷⁰⁷. Nevertheless, this has by no means meant the resurgence of unions onto the offensive.

In times of crisis, like that of the 1970s, Labour committed to collaborations with business to meet the demands of uninterrupted work. The Labour Prime Minister, Callaghan, expressed his government’s adherence to establish the right environment “to improve the international competitiveness” of the UK industries⁷⁰⁸. In 1998, Blair’s New Labour strategy was underscored by a similar commitment operationalised by upholding labour market flexibility and pushing back militant trade unions in order to enhance competitiveness. Blair alleged that businesses are “the wealth creators” and expressed his determination to “work in partnership” with them as “a pro-business, pro-enterprise government pursuing policies for the long-term”⁷⁰⁹. However, he stressed that market forces cannot alone deliver a “safe society” in which ordinary people are protected and where power is not abused. Solidarity, cooperation and partnership between all stakeholders are characteristic of his government modernisation doctrine⁷¹⁰.

⁷⁰⁷ *Ibid.* p. 151.

⁷⁰⁸ James Callaghan, “Leader’s speech”, October 4, 1977, *BritishPoliticalSpeech*.<http://www.BritishPoliticalSpeech.org/speech-archive.htm?speech=175>, (accessed March 23, 2015).

⁷⁰⁹ Tony Blair, “Leader’s Speech”, September 29, 1998, *BritishPoliticalSpeech*.<http://www.britishpoliticalspeech.org/speech-archive.htm?speech=204>, (accessed March 17, 2015); Tony Blair, “General election victory speech”, May 2, 1997, *BritishPoliticalSpeech*,<http://www.BritishPoliticalSpeech.org/speech-archive.htm?speech=222>, (accessed March 17, 2015).

⁷¹⁰ Tony Blair, “Leader’s Speech”, October 4, 1994, *BritishPoliticalSpeech*,<http://www.BritishPoliticalSpeech.org/speech-archive.htm?speech=200>, (accessed March 18, 2015).

Similarly, Brown and Miliband embraced an identical line of politics. In order to meet the challenge of fierce global competition, Brown stressed that his government will work “for all of society. We can't just be pro Labour we've got to be pro business too⁷¹¹”. Specifically, in exchange for reduced regulations and a flexible labour market and competition system, which are important to raise productivity and help businesses to compete, businesses were demanded to cooperate with the government and unions through training and apprenticeship schemes. This condition has also underlined Miliband’s regulations of public procurement⁷¹². Core to the Party’s campaign is the emphasis on working to achieve “enterprise for all” in return for “responsibility from all”, in a mission to achieve “fairness to all”. This is delivered through a commitment to more competition, more entrepreneurship, and more flexibility coupled with more long-term investment. According to Brown, these conditions are necessary given that nowadays “companies, indeed countries, which fail to adapt, reform and lead the way will simply be left behind”⁷¹³. According to McKay and Rowlingson, it is this conviction that made Brown commit himself to only providing “full employability” rather than “full employment”⁷¹⁴. That is, New Labour also believe that people’s welfare is promoted when their skills are enhanced to meet the skills needs of the market.

Perhaps the most important turning point in labour’s politics is its stand on welfare policies. New Labour has called for transforming the welfare state to respond to the needs of the 21st century. As noted by Blair, the problem of the current welfare and benefits system is that it

⁷¹¹ Gordon Brown, “Chancellor’s Speech”, September 25, 2006, *BritishPoliticalSpeech* <http://www.BritishPoliticalSpeech.org/speech-archive.htm?speech=277>, (accessed March 18, 2015).

⁷¹² Ed Miliband, “Leader’s Speech”, September 27, 2011, *BritishPoliticalSpeech*. <http://www.BritishPoliticalSpeech.org/speech-archive.htm?speech=312>, (accessed March 18, 2015). For a similar conditionality see Gordon Brown, “Chancellor’s speech”, 1997, *BritishPoliticalSpeech*. <http://www.BritishPoliticalSpeech.org/speech-archive.htm?speech=268>, (accessed March 19, 2015).

⁷¹³ Gordon Brown, “Chancellor’s speech”, September 27, 1999, *BritishPoliticalSpeech*. <http://www.BritishPoliticalSpeech.org/speech-archive.htm?speech=274>, (accessed March 19, 2015).

⁷¹⁴ Stephen McKay and Karen Rowlingson, “Social Security and Welfare Reform”, in Martin Powell (ed.) *Modernising the Welfare State: The Blair Legacy* (Bristol: The Policy Press, 2008), p. 67

“still asks first not how to get people into work, but how to get them onto benefit”. Therefore, he argues that reforming welfare serves its “salvation”⁷¹⁵. When created, the purpose of the welfare state was to “treat citizens as equals”. Today, welfare should be reformed in order to “treat them as individuals as well”, which necessitates replacing the “passive welfare system” with a “new contract” between the state and people based on the principle that “we give opportunity to all. We demand responsibility from all”⁷¹⁶. For Major, it is this stand of the New Labour that signalled the failure of its past politics and indicated that labour has lost its “soul”⁷¹⁷.

Jim Murphy, the leader of the Scottish Labour Party, views welfare as mitigation of difficulties brought about by change in the global economy. But, he contends that welfare reforms have had to be undertaken in order to transform the system “from that of passive dependency to active engagement with the state”. That is, with the New Deal in place (since 1998), “rights and responsibilities embedded at the heart of the benefit design” as part of a new social contract. The new welfare system is established on “a something for something premise. If the government is to provide more support; customers to have a duty to take up that support”⁷¹⁸.

⁷¹⁵ Blair points out that Tories ended up spending more on the welfare state than anyone else. Tony Blair, “Leader’s Speech”, September 29, 1998. Blair had already promised in 1996 to cut state spending on welfare programs, see Tony Blair, “Leader’s Speech”, October 1, 1996, *BritishPoliticalSpeech*. <http://www.BritishPoliticalSpeech.org/speech-archive.htm?speech=202>, (accessed March 20, 2015).

⁷¹⁶ Tony Blair, “Leader’s Speech”, October 1, 2002, *BritishPoliticalSpeech*. <http://www.BritishPoliticalSpeech.org/speech-archive.htm?speech=185>, (accessed March 20, 2015). See also the striking similarity between labour and Conservatives on welfare reforms and the creation of a modern welfare system: David Cameron, “Leader’s Speech”, October 10, 2012, *BritishPoliticalSpeech*. <http://www.BritishPoliticalSpeech.org/speech-archive.htm?speech=324>, (accessed March 20, 2015). On the creation of a “responsible society” see David Cameron, “Speech on Welfare”, June 25, 2012, *BritishPoliticalSpeech*. <http://www.BritishPoliticalSpeech.org/speech-archive.htm?speech=350>, (accessed March 20, 2015).

⁷¹⁷ John Major, “Mr Major’s Comment’s on New labour”, April 3, 1995, *The Rt Hon Sir John Major KG CH*. <http://www.johnmajor.co.uk/page2057.html>, (accessed March 21, 2015).

⁷¹⁸ Jim Murphy, “The Welfare State – Time for a Contract?”, February 2, 2007, *BritishPoliticalSpeech*. <http://www.BritishPoliticalSpeech.org/speech-archive.htm?speech=310>, (accessed March 24, 2015); see also Jim Murphy, “Welfare Reform – Challenges for the next 10 years”, February 12, 2007, *BritishPoliticalSpeech*. <http://www.BritishPoliticalSpeech.org/speech-archive.htm?speech=309>, (accessed March 24, 2015).

The new contract includes three elements: ability of the welfare claimant to engage with the labour market based on the belief that “all have the potential to work”; the state will arbitrate and mentor the contract as part of responsibility based on the conviction that “the market cannot, should not and will not be left unchecked”; and finally the commitment to tax payment in order to maintain the progressive public services provision by the state⁷¹⁹. Thus, in order to secure the citizen’s welfare, the role of the state has become centred on “maximising” his “opportunity”⁷²⁰. In the words of Paddy Ashdown, a Liberal Democratic Leader, a flexible labour market must be one where “individuals can see flexibility as an opportunity, not a threat”⁷²¹. Thus, education and training, collaboration between employees and employers, standard payment system and worker protection as well as an effective welfare system are integral ingredients to the new contract. It should be noted that Ashdown was the first to mention the GCR in the UK policy debates where he stated cited the 1994 GCR to indicate the declining quality of the education system in the UK as a challenge for meeting the market needs for skills, “Britain was 35th out of 48”⁷²².

Although welfare was conditionality initiated by the Conservatives under Thatcher, Blair was more “instrumental” in its application as he extended it to more areas⁷²³. In addition to unemployment benefits, the British welfare system includes today housing, education and health⁷²⁴. Hence, all of these areas are incorporated under the threat of losing public welfare or

⁷¹⁹ Jim Murphy, “The welfare state – time for a contract”.

⁷²⁰ Gordon Brown, “Chancellor’s speech”, September 9, 2003, *BritishPoliticalSpeech*. <http://www.BritishPoliticalSpeech.org/speech-archive.htm?speech=274>, (accessed March 25, 2015).

⁷²¹ Paddy Ashdown, “Speech to the Institute of Education”, London October 17, 1995, *BritishPoliticalSpeech* <http://www.BritishPoliticalSpeech.org/speech-archive.htm?speech=238>, (accessed March 27, 2015).

⁷²² *Ibid.* See also David Steel, “Leader’s speech”, September 24, 1982, *BritishPoliticalSpeech* <http://www.BritishPoliticalSpeech.org/speech-archive.htm?speech=43>, (accessed March 25, 2015).

⁷²³ Peter Dwyer, “the Conditional Welfare State”, in Martin Powell (ed.), *Modernising the Welfare State*: p. 200. The New Deal implemented benefits conditionality on Lone Parents, Disabled, etc. through the 2007 Welfare Reform Act and the Employment Support Allowance (ESA) and a revised Jobseeker’s Allowance (JSA), see p. 203. See also Department of Social Security, “New Ambitions for our Country: A new Contract for Welfare”, *Green Paper*, Cm 3805 (1998)..

⁷²⁴ It also has extended the category of unemployed to Lone parents with children above ten-year.

the constant audit of welfare state agents, which would lead eventually to the same result in case of non-compliance. What is considered far-reaching about New Labour's approach to welfare is its attempt to build "a new type of social citizenship in which individual responsibility and duty take precedence over rights to welfare"⁷²⁵. The state sets the new "behavioural requirements" for qualifying for welfare⁷²⁶. Blair continued Thatcher's legacy where the slogan of "work as the best form of welfare" was applied⁷²⁷. Labour, under Blair, effectively rearranged the system priorities "rather than creating a distinctively new set". By doing so, Greener argues, New Labour has taken the paradigm of public reform initiated by the Conservatives "to its logical conclusion"⁷²⁸. It is argued that given the complexity of the system, more radical change is "likely to be rare"⁷²⁹.

However, despite similarities between the two, New Labour's version of competitiveness is by no means identical to the Conservative's. The former is based on collectivism and some degree of social justice while the latter is centred on individualism, as noted by Neil Kinnock. To him, social justice must be at the heart of competitiveness. Unlike the Conservatives, this version of competitiveness does not reside with getting rid of workers and decreasing wages⁷³⁰. New

⁷²⁵ Peter Dwyer, "the Conditional Welfare State", p. 209.

⁷²⁶ He warns against the negligence of the social, economic and political causes of unemployment and poverty that this sort of conditional welfare may result in. *Ibid.* pp. 211-3.

⁷²⁷ Drakeford highlighted the trend taking place in the provision of welfare in the UK. He points out the takeover of housing, and other services, provided by the state as a part of welfare by the private sector, he calls this "private welfare". Mark Drakeford, "Going private?", in Martin Powell (ed.) *Modernising the Welfare State*. p. 166.

⁷²⁸ Greener explains further the nuanced difference between Labour and Conservatives. It simply comes down to the fact the Labour attempted to utilise market approaches to the running of public services while Conservatives has sought to have to implement a private sector management more thoroughly, Ian Greener, "The stages of New Labour", in Martin Powell (ed.) *Modernising the Welfare State*, pp. 229-30; See also Martin Seeleib-Kaiser, "Social Democratic Reforms of the Welfare State: Germany and the UK Compared", in Martin Powell (ed.) *Modernising the Welfare State*.

⁷²⁹ Stephen McKay and Karen Rowlingson, "Social Security and Welfare Reform", in Martin Powell (ed.) *Modernising the Welfare State*, p. 69. See also Martin Powell, "Conclusion: the Blair legacy", in Martin Powell (ed.) *Modernising the Welfare State*, p. 272.

⁷³⁰ See Neil Kinnock, "Leader's Speech", October 2, 1990, *BritishPoliticalSpeech*. <http://www.BritishPoliticalSpeech.org/speech-archive.htm?speech=196>, (accessed March 21, 2015). See also his speech on the October 4, 1991 "Leader's Speech", *BritishPoliticalSpeech*. <http://www.BritishPoliticalSpeech.org/speech-archive.htm?speech=197>, (accessed March 22, 2015); and Neil Kinnock, "Leader's speech", October 4, 1988, *BritishPoliticalSpeech*. <http://www.BritishPoliticalSpeech.org/speech-archive.htm?speech=194>, (accessed March 10, 2015). Kinnock

Labour advocates a form of competitiveness that runs hand in hand with the Social Chapter, Working Families's Tax Credit, and the Minimum Wage, which have all been resisted, and sometimes rejected, by the Conservatives⁷³¹. New Labour has tried to socialise competitiveness into society through state intervention whereas Conservatives have sought to leave it entirely to market forces. New Labour rejected the Conservatives' claim that reducing corporate tax would stimulate investment and job creation. As pointed out by Wilson, funds did not go for investments that would lead to strengthening the economy, and was instead spent in making profit through the purchase of more shares⁷³².

According to McKay and Rowlingson, New Labour's benefits spending rose 22.5% between 1996 and 2006 but the percentage of GDP spent on social security fell from 11.9% to 11.4%⁷³³. Higher spending was driven by policy changes manifested in spending more on families with children, tax credits, pensions, disability benefits and housing benefits. New Labour's approach welfare is to use it as a tool to eliminate poverty while for the Conservatives welfare is a form of compensation for low income⁷³⁴. New Labour's implemented a strategy that offered "work for those who can, security for those who cannot"⁷³⁵.

called for an active government intervention in order to enhance the competitive position of the UK against other competitors especially with the completion of the single market in Europe. Investment in infrastructure, science, skills and education, the innovation based of the country are few of the areas where according to him government intervention is needed to orchestrate a strong competitiveness profile for the UK.

⁷³¹ Tony Blair, "Leader's Speech", September 26, 2000, *BritishPoliticalSpeech*. <http://www.BritishPoliticalSpeech.org/speech-archive.htm?speech=206>, (accessed March 23, 2015).

⁷³² Harold Wilson, "Leader's speech", November 28, 1974, *BritishPoliticalSpeech*. <http://www.BritishPoliticalSpeech.org/speech-archive.htm?speech=172>, (accessed March 23, 2015).

⁷³³ Stephen McKay and Karen Rowlingson, "Social Security and Welfare Reform", p. 55.

⁷³⁴ Under the Conservative governments from 1979-1997, the Department of Social Security resorted to the use of the term "low income" rather than poverty because the former is "a much less emotive and politically resonant concept". However, New Labour put it back at the heart of the discourse of change and modernising welfare. *Ibid.* p. 55.

⁷³⁵ *Ibid.* p. 67

In sum, through the discourse of competitiveness, people have been made aware that higher employment is only attainable when the welfare state is reconfigured in a way that generates flexible labour market regulations. Such conditionality, Howell explains, means “workers must adjust by accepting lower wages, stingier unemployment benefits, and less secure jobs”. Howell realises the importance of conditionality as an external factor straining policymaking. However, he believes welfare reforms have been imposed by IOs as a necessary adjustment to the challenge of competitiveness. This has created a situation that has become “caught” between two imperatives; on one hand, having to answer to the pressure of “economic realities”, and on another hand, dealing with the social consequences that are generated by challenging the already socially entrenched norms⁷³⁶. Howell argues the neo-economic orthodoxy of free market economy is constructed upon a false dogma that seeks to socially embed a belief that rigidities of labour market, which result from welfare programs and employment regulations, are the cause of unemployment. Thus, “wage and employment flexibility in the form of lower wages and greater job insecurity”⁷³⁷ as a solution is inadequately founded. Labour market protection policies “do not necessarily produce harmful employment effects”⁷³⁸.

The WEF orthodoxy seems to be identical to that of IOs such as the OECD and the IMF of which Howell speaks. According to the “OECD-IMF orthodoxy”, labour market institutions

⁷³⁶ However, Howell rejects such assertion and shows that strong welfare states such as Austria and Norway achieved lower unemployment rates than the US itself. Also countries marked by high social protection achieved low unemployment rates in the 1990s such as the UK and Ireland, David R. Howell, “Introduction”, in David R. Howell (ed.), *Fighting Unemployment: The Limits of Free Market Orthodoxy* (Oxford: Oxford university Press, 2005), p. 3.

⁷³⁷ *Ibid.* pp. 4-5.

⁷³⁸ He concludes that evidence contradicts the “OECD-IMF orthodoxy” that call for radical labour market deregulation and warns against the high economic, social and individual costs of a retreated welfare state. *Ibid.* pp. 6-7. Baker et al, in a cross –country assessment of the OECD-IMF orthodoxy found no evidence of any correlation between high unemployment rates and labour market rigidities and no evidence of deregulation would work as a solution to rising employment rates. Dean Baker et al, “Labour Market Institutions and Unemployment: Assessment of the Cross-Country Evidence”, in David R. Howell (ed.), *Fighting Unemployment*, pp. 72-118.

have to be weakened in order to solve the problem of unemployment. When they are strong, “job creation is made less attractive for employers, whereas joblessness becomes more attractive for workers”⁷³⁹. The impact of inflexibility will materialise through high wages for the unskilled, which would drive them out of the market. This is thought to be aggravated by welfare policies. Differences in the rigidities of labour market institutions explain the variance in unemployment rates across OECD in theory⁷⁴⁰. For economists, Howell notes, the flexible market is one where wages and employment match the demand of the market⁷⁴¹.

The outcome of such an endeavour to transform welfare and strengthen the flexibility of the labour market results in tight monetary policies and fiscal austerity in the name of correcting the wrongs of state intervention. This aims to push social spending and protective employment regulations to the very minimum⁷⁴². The welfare state is considered to be an obstacle in any country’s venture to enhance its competitiveness as it makes it difficult to build labour market flexibility and high productivity levels in response to global competition and other structural changes emerging as a result of technological innovation and competitive market forces⁷⁴³. Therefore, the sustainability of competitiveness becomes focused on strengthening the microeconomic foundations of competitiveness to which extensive welfare state, and the resulting rigid labour market and low productivity, are an obstacle.

⁷³⁹ These institutions are centralized collective bargaining, legal minimum wages, employment protection laws, and unemployment benefit programs. David R. Howell and Fredrick Huebler, “Wage Compression and the Unemployment Crisis: labor Market Institutions, Skills, and Inequality-unemployment Tradeoffs” in David R. Howell (ed.), *Fighting Unemployment*, p. 35.

⁷⁴⁰ David R. Howell, “Labour Market Institutions and Unemployment: An Assessment” in David R. Howell (ed.), *Fighting Unemployment*, p. 311.

⁷⁴¹ David R. Howell, “Introduction”, p. 20.

⁷⁴² David R. Howell, “Labour Market Institutions and Unemployment: An Assessment”, p. 339.

⁷⁴³ For an argument against this conviction and for a different role of the state see analysis Per Kongshøj Madsen, “The Danish model of ‘flexicurity’: experiences and lessons”, *TRANSFER: European Review of Labour and Research*, 10: 2 (2004). pp. 187-207; see also Ton Wilthagen, “Flexicurity: A new paradigm for labour market policy reform?” *WZB Discussion Paper*, No. FSI 98-202, pp. 1-27, and Peter Auer and Rizwanul Islam, “Economic Growth, Employment, Competitiveness, and Labour Market Institutions” in WEF (eds.), *Global Competitiveness Report 2006-2007*, pp. 105-115.

In this section a brief picture of the sort of discourse prevalent in British politics in relation to the competitiveness discourse was presented. It was shown that both parties have employed competitiveness in designing their social and economic policymaking. However, there is a significant variance between the two approaches to social welfare. The Conservatives perceive competitiveness as a product of a well-functioning and free market economy, while New Labour adheres to an approach to competitiveness that is socialised into the society through state intervention to maintain decent social standards. New Labour advanced a approach that rests on an active role of the state to promote human capital development for the unemployed through enhancing their skills. This picture should serve as a background to understanding the institutionalisation of competitiveness in the UK, which is the subject of the next section.

8.2. The Operationalisation of Competitiveness through Policy Adaption

As pointed out by Howell and Ketels, policy makers are “caught in the middle” of the competitiveness debate. They face an “imperative to actually ‘do something about competitiveness’”⁷⁴⁴. Therefore, policy makers are challenged to respond through, firstly, identifying what factors of competitiveness they need to in order to improve the performance of their economies and, secondly, what strategies should be drawn to address these factors. It is the aim of this section to provide a case study of how the UK has operationalised the competitiveness discourse through institutionalisation.

⁷⁴⁴ Christian H. M. Ketels, “Michael Porter’s Competitiveness Framework—Recent Learnings and New Research Priorities”, p. 115 and p. 119. Also see David R. Howell, “Introduction”, pp. 4-5.

BIS was the first state department in the UK, although not the only, to start systematically reporting on the competitiveness of the British economy. The BIS indicators have become an annual practice to measure the weaknesses and strengths of the UK economy and its position against its competitors⁷⁴⁵. Similar in tone to the vast majority of its publications, emphasis is placed on productivity as a source of outpacing its competitors. Therefore, raising productivity (understood as output per worker) is thought to be best crystallised through building a dynamic and solid knowledge-economy base⁷⁴⁶. All papers, whether published under the Conservatives or the New Labour, adopted a partnership approach between business and the government to enhance Britain's productivity. Business leaders are seen as important partners in shaping the government policies and monitoring and reviewing progress⁷⁴⁷. These reports attempt to set out a framework for action by both governments and business. Similar to the language used in the GCR, these reports all established that macroeconomic policies on their own is not enough. Prosperity is conditioned on "individuals and firms throughout the economy and on the improvements in the supply side of the economy"⁷⁴⁸. Monetary and fiscal policies, which are used to stimulate demand, do not produce sustainable levels of employment and growth.

⁷⁴⁵ The BIS department also publishes the Regional Economic Performance Indicators Report. For more details on the purpose of the report and the indicators used see Rebekah Paul, "Commentary on Regional Economic Performance Indicators", BIS, September 2012. https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/16338/12-p162-commentary-on-regional-economic-performance-indicators.pdf, (accessed April 13, 2015)

⁷⁴⁶ It is worth noting here that the UK has followed the practice of other countries concerning reporting on the competitiveness of their economies. Even the definition of competitiveness was adopted from the OECD's 1993 report. Thus, a brief examination of the UK governments' preoccupation with competitiveness points to the fact that the UK has been more of a 'follower' than a leader in this field.

⁷⁴⁷ Based on this collaboration, The Secretary of State for Trade and Industry appointed an advisory competitiveness council tasked with developing a competitiveness index followed by forming a Cabinet Committee on Productivity and Competitiveness to review the yearly performance of the UK which met first time in 1999 DTI, "Our Competitive Future: Building the Knowledge-Driven Economy", December 1998, Cm1476, p. 13. The Business Forum on Tax and Competitiveness: created in July 2010 by David Gauke the Exchequer Secretary to the Treasury to facilitate discussion between government and business leaders (multi-national) on ways for improving the competitiveness of the UK's tax system. "The forum complements wider consultation as part of the government's aim to have an open and transparent approach to tax policy". CBI and other multinational corporations are members of this forum:

⁷⁴⁸ HMSO, "Competitiveness: Helping Business to Win", Cm 2563 (1994), p. 20

“Competitiveness depends on the efficiency of the real economy”⁷⁴⁹; an economy run by free and private enterprises.

At the time when the WEF’s GCR was expanding and gaining momentum as an important practice for world competitiveness and was available to the public, in 1994, the Conservative government published the UK’s first competitiveness white paper to measure the UK’s competitiveness in comparison with other nations in Europe⁷⁵⁰. The initiative was taken to demonstrate that although the government believes in businesses as being the source of the country’s wealth, it is committed to being “part of Britain’s competitiveness”, as Major put it⁷⁵¹. Major commenced the paper by stating that improving living standards and the quality of life in Britain depends primarily on creating an environment in which “companies can beat the best”⁷⁵². Within the global circumstances characterised by “ever fiercer global competition... a world in which our wealth is more and more dependent on the knowledge; skills and motivation of our people”, economic performance will only improve when productivity and the skills of the workforce are enhanced⁷⁵³. British firms need to be competitive in order to “win business in home and overseas markets” and, hence, to be able to create jobs⁷⁵⁴.

According to the Paper, government intervention in the market caused low profitability, hindered a proper adjustment of the local industry to changing world market conditions,

⁷⁴⁹ *Ibid.* p. 23.

⁷⁵⁰ The comparison was drawn based on performance in real income per capita, productivity in manufacturing and share of world trade. The Commons Trade and Industry Select Committee also reported on the competitiveness of UK manufacturing Industry since the early 1990s but its reporting was confined to manufacturing only, *Ibid.*

⁷⁵¹ John Major, “Mr Major Speech to the CBI”, *CBI Conference in London*, May 13, 1993, <http://www.johnmajor.co.uk/page1259.html>, (accessed April 28, 2015) in the same context see also Margaret Thatcher “Victorian Values”.

⁷⁵² HMSO, “Competitiveness: Helping Business to Win”, p. 3. See also John Major’s Press Conference on the Competitiveness White Paper 1994, <file:///E:/Thesis/Thesis/CH6/Government/DTI/Mr%20Major's%20Press%20Conference%20on%20the%20Competitiveness%20White%20Paper%20-%202024th%20May%201994.html>, (accessed April 28, 2015); and HMSO, “Competitiveness: Forging Ahead”, CM 2867 (1995), p. 67.

⁷⁵³ *Ibid.* p. 6. See also HMSO, “Competitiveness: Forging Ahead”, p. 67.

⁷⁵⁴ *Ibid.* p. 8.

harmed productivity, shrank output growth and deteriorated living standards⁷⁵⁵. Thus, privatisation, reduced regulations, flexible labour markets were seen detrimental to enhancing the UK's productivity gap. These conditions are seen necessary to allow "employers to deploy their workforce in the most efficient way" and workers "to make the most of their skills and experience", they are crucial to bringing equilibrium to the labour market⁷⁵⁶. Only efficient labour market policies would solve productivity problem and, hence, employment⁷⁵⁷. As noted by the Paper, in the 1960s and 1970s wages rose regardless of productivity performance and cost affordability for the enterprise as a manifestation of trade unions' power. In addition, unit labour cost increased compared to other competitors, which fed inflation when exchange rate depreciation was used to maintain business competitiveness then. Industrial relations were poor overall as it featured multiple disruptions and unemployment coexisted with job vacancies, which resulted in higher rates of unemployment over time. The latter was primarily seen as a failure of the welfare state.⁷⁵⁸

The Paper embraced the strategy put in place by Thatcher to correct such inefficiencies. It adopted policies that ranged from encouraging good employment practice (such as conditioning rewards on productivity performance); improving industrial relations in order to essentially further protect businesses (closed shop practice and secondary actions were made illegal); maintaining fairness between regulations of employment rights and minimising business costs; reforming wage bargaining arrangements (attempts to set up a minimum wage were abolished then); maximising the effectiveness of supply and demand of labour through "competition for jobs" in order to influence labour costs, control inflation, boost output and job

⁷⁵⁵ *Ibid.* p. *Ibid.* p. 10.

⁷⁵⁶ *Ibid.* p. 50.

⁷⁵⁷ *Ibid.*

⁷⁵⁸ *Ibid.* pp. 50-1.

availability; and finally to enhance the quality of the workforce through education and training

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This all fits in with Major's grand strategy of incentivising more people to leave welfare benefits for work in order to create a flexible labour market⁷⁶⁰. The government introduced the Jobseekers Allowance in 1996 to replace income support and unemployment benefits with an emphasis on responsibility to seek work⁷⁶¹. It sought to stress the inseparable relationship between obtaining benefit and seeking employment through institutionalising the relationship between unemployment benefit offices and job centres. Moreover, the government put a conditionality element into the unemployment benefit program. Claimants must be always be available for work, actively seeking it and they have to accept any job offer after a period of time, attend job search interviews every six months, and a Restart Course or Job Plan Workshop when unemployment persists. It also tried to raise awareness among the unemployed of the consequences of failure to comply with these requirements in terms of benefits reduction⁷⁶².

As stressed by the Paper, "individuals will need to take increasing responsibility for their own adaptability and re-skilling throughout their lives"⁷⁶³. That is, growth is achieved through "promoting a competitive, efficient and flexible labour market" because it benefits "individuals, business and the whole economy"⁷⁶⁴. Therefore, it advocated less government constraints on negotiating working hours, annual hourly contracts, job sharing, ability to do multiple tasks, wider skills and incentives for education and training, wages being responsive

⁷⁵⁹ *Ibid.* pp. 51-2.

⁷⁶⁰ Examples of patterns of flexible working arrangements cited in the report included: annually arranged working hours as opposed to weekly ones, teleworking and job-sharing. Such patterns were thought to have positive impact on productivity and labour cost from the business's point of view. See *Ibid.* p. 55 for more details.

⁷⁶¹ *Ibid.* p. 57-61.

⁷⁶² It offered several services which aim to help the unemployed getting back to work such as job vacancies access, putting into effect a 'back to work' advice and counselling service, training, encouraging employers to take on more long-term employment for the unemployed. *Ibid.* p. 56.

⁷⁶³ HMSO, "Competitiveness: Forging Ahead", p. 76.

⁷⁶⁴ *Ibid.* p. 101

to local market demands and determined by “the performance of companies and individuals”⁷⁶⁵.

The second competitiveness White Paper was published in 1995. It adopted the OECD definition of national competitiveness that centred on the ability of the country to enhance the competitiveness of its businesses and increase the real income of people in the long run⁷⁶⁶. The Paper measured the improvement in the economy in terms of declining unemployment, rising total and manufacturing output, rising productivity, falling current account deficit and lower inflation rate. It claimed that it is the increased flexibility in the labour market that allowed for unemployment to fall in first half of the 1990s⁷⁶⁷.

Most importantly, based on the premise that “when market imperfections limit the scope for firms to improve competitiveness, the government may need to intervene”, the Paper introduced an elaborate framework for government action⁷⁶⁸. It was aimed to help the government collaborate with businesses to improve their competitiveness through the delivering a “comprehensive support to help UK companies win in world markets”⁷⁶⁹. The framework included: providing stable macroeconomic policies; developing open and

⁷⁶⁵ *Ibid.* pp. 105- 10. In order to strengthen its evidence-base to policy reforms and priorities in the march towards improving UK productivity and competitiveness, in this paper the DTI is drawing on academic studies (discussed at DTI conferences) to match the microeconomic evidence with its macroeconomic base⁷⁶⁵. For an overview see DTI, “Raising UK Productivity – Developing the Evidence Base for Policy”, *DTI Economics Paper no 8*. March 2004, pp. viii-xiv. On the micro economic foundations of competitiveness approach of the DTI See also DTI, “Corporate Governance, Human Resources Management and Firm Performance”, *DTI Economics Paper No 13*. August 2005.

⁷⁶⁶ HMSO, “Competitiveness: Forging Ahead”. The OECD defines the competitiveness of a nation as “the degree to which it can under free and fair market conditions, produce goods and services which meet the test of international markets, while simultaneously maintaining and expanding the real incomes of its people over the long term”, Organisation for Economic Cooperation and Development (OECD), Programme on Technology and the Economy, 1992. P. 237.

⁷⁶⁷ HMSO, “Competitiveness: Forging Ahead”, p. 12. For an analysis of the two White papers see Walter Eltis and David Highman, “Closing the UK Competitiveness Gap, National Institute Economic Review”, November 1995, 154:1, pp. 71-84. Also advantages of flexible and efficient labour market are measured in the declining number of claimant unemployment, low levels of industrial action, wages determined by productivity not collective bargaining, etc. HMSO, “Competitiveness: Forging Ahead”, pp. 101-103.

⁷⁶⁸ This idea is integrated into the majority of the BIS reports to demonstrate a recognition from the government that it intervenes with a belief in free-market economy. *Ibid.* p.16

⁷⁶⁹ The government conducts sponsorship programmes with the UK sectors of industry and commerce in order to understand their competitive position through an assessment of their weaknesses and strengths. *Ibid.* p. 48.

competitive markets, reforming income and corporate taxation, encouraging best practice and enhancing the value for money and the standards for services.⁷⁷⁰

In both White Papers, the government gained information on the industry through direct and indirect interaction with businesses and their representatives in the UK. Trade unions have been left out of these programs generally and the agency for reforming the government's intervention is placed within collaborative schemes between the government and UK businesses⁷⁷¹.

8.2.1. The Labour Turn: A Better Britain, 1997- 2010

BIS (known as DTI and BEER before 2006) Economic Papers outline the policymaking developments in the UK. As is the case of many agencies publishing on competitiveness, its rationale rests on a belief that “the essence of competitiveness analysis is benchmarking against other similar countries”⁷⁷². The publication of such reports by the government is welcomed and encouraged by companies as a useful snapshot of the progress made in the British economy and highlights the further steps needed by all stakeholders to maintain and enhance its competitiveness. According to Rowlatt, BIS's chief analysis, these publications aim to build a “better understanding of the outcomes and drivers” of competitiveness. Economic performance

⁷⁷⁰ It includes also low inflation, sound public finance, competitive tax rates, exchange rate stability, low budget deficit, low public debt, and reduced public spending (sound finance and low tax burden) which is based partly on reducing social security contribution which aimed then to reduce it by 4 billion a year until the end of century. Then tax rates on employer's social security costs are lowered. Turning the government from a service provider to a purchaser of services from private business on behalf of the public. *Ibid.* p .16. The factors of competitiveness adopted in both 1994 and 1995 White Papers are: 1. Macroeconomy (low inflation, sound finance and fiscal and monetary policies). 2. Education and training. 3. The labour market. 4. Innovation. 5. Management. 6. Fair and open markets. 7. Finance for business. 8. Communications and infrastructure. 9. The commercial framework (deregulation, environmental framework, competition law, company law and corporate governance, IPRs, insolvency laws). 10. The business of government and public purchasing (provision of high quality public service).

⁷⁷¹ Above all, the government offered sponsorship work for corporate managers within the DTI and other departments. Other reports started publishing on competitiveness without reference to evidence from IMD, WEF, etc. The point is that they started realising the importance of evidence and benchmarking.

⁷⁷² DTI, “UK Competitiveness Indicators: Second Edition”, (2001), p. 7.

can be improved when strategies and policies across the state are successfully developed and monitored⁷⁷³.

Labour started its reports on competitiveness with the 1998 White Paper, which is part of Blair's initiative to modernise the economy. It represented the first attempt at building the knowledge foundation of the UK's competitiveness through emphasising the imperative of founding a "knowledge economy" necessary for expanding business productivity and yielding Britain a better place on the global market⁷⁷⁴. Accordingly, for businesses, the challenge is to incorporate their innovative base with finance and investment as well as skilled and flexible workers, which will be cemented by the government's dedication to provide a developed infrastructure and stable macroeconomic environment. As for the government, the challenge is to "create and execute a new approach to industrial policy" based on the assumption that "old-fashioned state intervention did not and cannot work. However, neither does naive reliance on markets"⁷⁷⁵. Thus, with the proposed framework, the government committed itself to directing public funds to enhance the education and training systems and to "acting as a catalyst, investor and regulator to strengthen the supply-side of the economy"⁷⁷⁶. As a catalyst, the government made promises to encourage new businesses. This would be primarily achieved through making funds available, advice service for start-ups, promoting collaboration between businesses within regions, backing the Confederation of British Industry (CBI)'s best practice initiative, and funding regional development agencies⁷⁷⁷.

⁷⁷³ Amanda Rowlatt, "Forward", BIS. "Benchmarking UK Competitiveness in the Global Economy", *BIS Economics Paper No. 19, October 2012*. p. vi.

⁷⁷⁴ 30-40 % behind the US, France, and Germany. DTI, "Our Competitive Future: Building the Knowledge-Driven Economy", Cm1476 (1998), p. 10.

⁷⁷⁵ *Ibid.* p. 5.

⁷⁷⁶ *Ibid.* p. 6 and p. 9. The independence of the bank of England came from realising the need to sustain a stable macro-economic. The government, in collaboration with businesses, set a plan create the competitiveness index "to track British Performance and guide policy development", *Ibid.* pp. 7-8.

⁷⁷⁷ *Ibid.*

The new framework rests on promoting a new business culture that will arguably impact positively on the working class. It is based on flexibility, fairness and trust. It hopes to set the grounds for a “creative workforce” necessary for business success. This creative workforce enjoys minimum wage, consultation with businesses and a commitment to training on the part of business. These features will help to achieve “greater job satisfaction leading to increased productivity”⁷⁷⁸. Yet, it should be noted that unions were given a very inactive role within the government’s new strategy for the UK economy. The agency was given to business and the government where the latter is acting on the unions’ behalf in a sort of repressive and dismissive manner. CBI is the agent for drawing a code of conduct at the workplace and partnership designed by the agency and overseen by the government with little say from unions. With regards to the labour market, the government would provide the legal framework that administers the employer/employee relationship⁷⁷⁹.

A year later, Blair endorsed the new framework by the *Modernising Government Paper*. It took stock of the role of the government and the form of its interventions. The Paper made the argument that a better Britain is one that falls outside the debate over big/small government and interventionism/ laissez-faire. Rather, the focus is on “modernising government, better government, getting government right”⁷⁸⁰. It is the government’s duty to create a “healthy” society and “improve the quality” of life⁷⁸¹.

⁷⁷⁸ *Ibid.* p. 47.

⁷⁷⁹ It is a commitment to competition, liberalisation, transparency, openness, better regulations, E-commerce, advanced infrastructure, protection of property rights, adoption of best practice, innovative public services and improved delivery of public services and objectives.

⁷⁸⁰ It should be noted that since the modernizing government paper the DTI has focused its efforts on developing and evidence base for policy. This is characteristic of all the DTI papers that follow here, Tony Blair, “Modernising Government”, Presented to parliament by the Prime Minister and the Minister of Cabinet Office by Command of Her Majesty, March CM4310 (1999), p. 4. For an evaluation of the modernisation doctrine in the UK, see Martin Powell, *Modernising the Welfare State*.

⁷⁸¹ The New Labour government aimed at reforming the way the government works through: high quality and efficient public services, making use of the most advanced technology in delivering the services, removing unnecessary regulations, encouraging innovation within government departments, granting financial incentives to public service staff, Tony Blair, “Modernising Government”. p. 9.

To meet the demands of people and businesses, the Paper announced the government's intention to "re-evaluate what it is doing so as to produce policies that really deal with problems; that are forward-looking and shaped by the evidence rather than a response to short-term pressures; that tackle causes not symptoms"⁷⁸². Vital to achieving these goals is for policymaking to be inclusive, taking into consideration the interests of all who are going to be affected by the new policy and learning from experience and evidence⁷⁸³. To promote such practice the government's initiative stressed the need to continue cooperation, benchmarking and consultation with international institutions and the private sector⁷⁸⁴.

In the same year, DTI published its first methodologically robust study of the UK's competitiveness. Driven primarily by the need to help monitoring the upgrade of the British economy into a knowledge-based one, the Paper laid out the UK's Competitiveness Indicators designed to benchmark its competitiveness against a set of factors in relation to other economies⁷⁸⁵. As it explained, the motive was that "companies will choose to locate elsewhere if the economic environment in the UK does not support a modern knowledge economy"⁷⁸⁶. Generally speaking, the results of these reports are supposed to inform the DTI's policymaking in meeting the target of bridging the productivity gap with competitors. Both the government and businesses are targeted by these reports. The first has to use the report as a guide to policies and priorities and the second to improve their performance in the areas highlighted in the report. The Paper evaluated the macroeconomic environment; businesses' perception of the political, institutional and legal environments and the microeconomic environment. In the light of the

⁷⁸² *Ibid.* p. 15.

⁷⁸³ Public services should reflect business needs. Small Business Service will be founded to have their voice heard within government. The Public Sector Benchmarking Project was launched to spread business best practice management within public sector, *Ibid.* pp. 16-7.

⁷⁸⁴ *Ibid.* p. 53.

⁷⁸⁵ Setting the factors of assessment: was done in collaboration between the DTI, universities, international organisations and the competitiveness council of the DTI, Stephen Byers Foreword to DTI, "Our Competitiveness Future: UK Competitiveness Indicators 1999", *DTI*, p.3.

⁷⁸⁶ *Ibid.* p. 4.

latter, the labour market was seen to be functioning properly except for the problem of low skills, under-investment, and competition conditions⁷⁸⁷.

Competitiveness was defined as “a nation’s ability to sustain high and rising standards of living”⁷⁸⁸. It was measured by assessing the UK’s performance in the four indicators. Firstly, ‘the business environment’ that measures macroeconomic stability, competition, labour Market, business perceptions and the quality of life in the UK was examined⁷⁸⁹. Secondly, ‘Resources’ which consists of measures of human and physical capital, finance, technology and R&D⁷⁹⁰ was analysed. Thirdly, ‘innovation’ was evaluated by measuring commercial exploitation of science and technology, entrepreneurship, diffusion of knowledge across borders and between firms⁷⁹¹. Finally, ‘results’ indicated in GDP per head, productivity, employment and trade, and the changing structure of output⁷⁹².

What is particularly of interest to this chapter are the sources these papers utilised to build the evidence for policy reforms. In addition to data collected by national state and non-state departments, this Paper relied on data from the WEF and IMD and other IOs such as the OECD. That is, for measuring the quality of the government administration, management of public finance and the burden of regulations, the paper drew on the business surveys conducted by the

⁷⁸⁷ *Ibid.*

⁷⁸⁸ *Ibid.* p.6.

⁷⁸⁹ Measures of macroeconomic stability (growth, inflation, short-term interest rates, exchange rates), competition (Openness to trade and foreign investment, prices), Labour Market (Unemployment, Diversity of employment opportunities, Industrial action in terms of number of days lost and improved dialogue and partnership to run a successful business, Labour market regulation), business perceptions (Business perceptions of the institutional and political environment in terms of bureaucracy, regulation and to what extent do government and institutions support competitiveness) and the quality of life in the UK (Sustainable Development Indicators).

⁷⁹⁰ Measures of human and physical capital (Business investment per worker, Government investment per head, ICT understanding in companies in terms of workers IT training to improve their performance in sectors like E-commerce), finance (Venture capital, Second tier markets, Stock market size and turnover), technology and R&D (E-commerce, Business uptake and use of ICT, Government and business spend on R&D per worker, Publications and citations of UK research in academic journals).

⁷⁹¹ Measures of commercial exploitation of science and technology, entrepreneurship, diffusion of knowledge across borders and between firms (Business spend on innovation including R&D, UK’s patenting performance, Share of sales from new or improved products, Technological alliances between firms, Sources of information for innovation, Joint publishing by universities and industry, Entry and exit rates, Attitudes to entrepreneurship);

⁷⁹² (Share in output of knowledge based industries), *Ibid.* p. 7.

WEF and the IMD, the 1999 GCR and the 1998 World Competitiveness Yearbook (WCY) specifically⁷⁹³.

Moreover, in its second edition, the UK Competitiveness Indicators expands its evidence base to include the UN, IMF, OECD, WEF (GCR 2000-2001) and IMD (WCY 1998 and 2000). Data from the WEF and IMD was used to evaluate the conduciveness of the political and institutional environment to competitiveness, the incentive effect of taxation, the adaptability and transparency of the legislative process, and the legal framework and the efficiency of administration. Moreover, businesses' perception of the competitiveness and flexibility of the labour market was derived from the IMD and WEF⁷⁹⁴. Based on such evidence, the Paper praised the government's achievements regarding labour market flexibility and the corporate tax system. On the other hand, as regulations were deemed less favourable according to these IMD and WEF surveys, the Paper set the tone for policy reforms to deliver better regulations⁷⁹⁵.

In 2003, the DTI and ESRC commissioned Porter and Ketels to produce a report on the competitiveness of the UK. The advice given in their paper is that the UK needs a new concept of competitiveness in order to overcome the productivity gap. Although the report extolled the UK's performance throughout the 1980s and 1990s, which was due to macro and micro reforms, it highlighted the absence of consensus among policymakers on the direction of the necessary transition, from the efficiency to the innovative stage as the benefits of the earlier

⁷⁹³ *Ibid.* p. 22. An example of other Reports used as evidence in by the DTI is: UNIDO, "The Industrial Competitiveness of Nations Looking back, forging ahead: Competitive Industrial Performance Report 2012/2013", United Nations Industrial Development Organisation, Vienna (2013).

⁷⁹⁴ DTI, UK Competitiveness Indicators: Second Edition, *DTI*, February (2001), p. 11.

⁷⁹⁵ IMD informed most of the analysis, this is in addition to the OECD, IMF, UN, and other UK state departments such as the Department of Environment, Transport and Regions. It should be noted that governmental organisations are also main source of data for both the IMD and the WEF. Industrial relations data are taken from the ILO while labour market regulations are taken from the IMD. IMD also informed the assessment of the managerial skills of the resources group of indicators. DTI, "Our Competitiveness Future", pp. 22-3.

stage has been exhausted⁷⁹⁶. The UK's performance in the labour market was once again praised here in terms of productivity levels and getting people back to work, which has boosted economic performance⁷⁹⁷. The 2002 GCR was cited as a source of evidence on the weaknesses, improvements and strengths that characterise the economy, especially in relation to the microeconomic environment and the role of the government⁷⁹⁸.

In 2003, the DTI set up a more comprehensive account of the drivers of competitiveness; investment, innovation, enterprise, skills and competition. However, in light of these factors, the DTI stressed, "A weakness in a particular driver of productivity is in itself an insufficient condition for government action". Subsequently, the role of the government is solely to correct market failure⁷⁹⁹. More specifically, DTI highlighted that "if the government wants to increase prosperity, it can adopt policies to improve labour market participation, or to raise the level of labour productivity"⁸⁰⁰. As noted in the its *Economics Paper No. 5*, the GDP growth and rising employment in the UK obtained in the early 2000s, the fastest in G7, is due largely to the flexibility and efficiency in the labour market in addition to macroeconomic stability, which resulted in higher employment rate. That is, welfare reforms have boosted the country's employment rate through cementing the labour market with more flexibility and highly skilled and productive labour⁸⁰¹. It should be noted here that the data on the flexibility of labour market regulations were taken from 2003 WCY while the data used for assessing the suitability of the

⁷⁹⁶ Michael E. Porter and Christian H M Ketels, "UK Competitiveness: Moving to the Next Stage", *DTI Economics Paper No. 3*, May (2003), p. 3.

⁷⁹⁷ *Ibid.* p. 9. The UK's GDP per head can be decomposed into two factors: its level of labour force utilisation (hours worked per employee, employment rate, and labour force participation rate) and its labour productivity.

⁷⁹⁸ See *Ibid.* pp.18-33. Also this is of course along citing other sources such as the OECD and IMF for data.

⁷⁹⁹ What sort of market failure? It is divided into four categories. Externalities (property rights absence and its impact of investment in R&D), Barriers to entry (created by either government regulation of private practices with its impact on efficiency), Imperfect information and uncertainty (impact on efficient allocation of resources), Public goods. DTI, "DTI Strategy – The Analysis", *DTI Economics Paper No 5*, November (2003), p. 11.

⁸⁰⁰ *Ibid.* p.3.

⁸⁰¹ DTI, "UK Productivity and Competitiveness Indicators 2003", *DTI Economics Paper No. 6*, November (2003), p. 22.

political and institutional framework for business success were derived from both the WCY and the GCR reports of 2002 and 2003⁸⁰².

The same practice was carried on under the New Labour until 2009. All the papers published were centred on the same competitiveness indicators and governmental framework of action at macro and microeconomic levels; that is, maintenance of macroeconomic stability and facilitating microeconomic reforms to compensate for market failure with regard to the five drivers of productivity⁸⁰³. Most importantly, the WEF's GCR and IMD's WCY, WB's Ease of Doing Business Report, OECD's Product Market Regulation Indicators have become entrenched in the BIS's evidence base to evaluate and inform the government's policymaking with regard to each indicator⁸⁰⁴.

8.2.2. The Conservative Turn: May 2010-2014

While still not in government, in 2007 the Conservative Party's Economic Competitiveness Policy Group published the *Freeing Britain to Compete* paper. It highlighted the illusion behind the labour government's account on competitiveness arguing that the despite having reached a good economic performance record compared with 1930s and 1970s, the UK still lags behind

⁸⁰²DTI, "Competing in the Global Economy – The Innovation Challenge", *DTI Economics Paper NO. 7*, URN 03/1394 30, November (2003).

⁸⁰³ HM Treasury and BERR, "Productivity in the UK 7: Securing Long-term Prosperity", *DTI*, November (2007), p. 19. The IMD survey on the perception of business executives of management skills in the UK was used to measure management quality. Also it was used in BERR, "the 2007 Productivity and Competitiveness Indicators", *Department of Business Enterprise and Regulatory Reform*, URN 08/P39, (January 2008). Also it was used in BERR, "the 2008 Productivity and Competitiveness Indicators", *Department of Business Enterprise and Regulatory Reform*, URN 09/P39 (February 2009).

⁸⁰⁴ DTI, "UK Productivity and Competitiveness Indicators 2006", *DTI Economics Paper, No. 17*. March 2006; BEER, "Impact of regulation on productivity", *BEER Occasional paper No. 3*, (September 2008); BEER, "The 2008 Productivity and Competitiveness Indicators", *Department of Business Enterprise and Regulatory Reform, February 2009*. URN 09/P39 (2008).

other countries⁸⁰⁵. It blamed the New Labour competitiveness policies for causing high interest rates, inflation, unemployment, and a weak rise in productivity and living standards. Specifically, the Paper perceived welfare policies under New Labour to have impeded motivation to work and fed bureaucracy and led to high social spending in areas that do not contribute to the creation and growth of business⁸⁰⁶. It stated that the UK's "comparatively strong performance in the 1990s, which was based on relatively light regulation and taxation, is now being damaged by their increase to a more typically European level". Moreover, the UK "has fallen from 4th to 10th in the competitiveness league tables", a ranking that was given in the 2006-2007 GCR⁸⁰⁷. The argument made is based on what the Paper described as "strong evidence" that freeing businesses to compete through low tax rates and effective regulations are the answer for rapid economic growth⁸⁰⁸. Although the Paper drew on the same set of competitiveness indicators set under the New Labour, its conclusions were different. It proposed to review the Welfare Reform and Pensions Act of 1999, to opt out of the Social Chapter and to produce UK-specific rules on regulations of the labour market in order to maintain its flexibility, rather than implementing EU ones⁸⁰⁹. Moreover, their strategy draws on a similar evidence base, that of the WEF and IMD among other sources.

The first BIS paper on competitiveness under Coalition government was issued in 2010. It sought to explain the factors that have driven the expansion of global trade and to evaluate the UK's trade performance compare with other competitors in the pre-2008 context (1948-2008). Declining competitiveness of the UK was considered responsible for the loss in the UK's market share in important overseas markets between 2002 and 2007⁸¹⁰. The Paper drew on the

⁸⁰⁵ Rt Hon John Reedwood "Forward" in, "Freeing Britain to Compete: Equipping the UK for Globalisation", *Economic Competitiveness Policy Group, Submission to the Shadow Cabinet*, August (2007), p. 2.

⁸⁰⁶ *Ibid.* p. 3. and p. 9. For a more detailed account of New Labour's 'ten mistakes', see pp. 10-11.

⁸⁰⁷ *Ibid.*

⁸⁰⁸ *Ibid.* p. 4

⁸⁰⁹ *Ibid.* p. 59

⁸¹⁰ BIS, "UK Trade Performance: Patterns in UK and Global Trade Growth", *BIS Economics Paper No 8*. November (2010), p. 10.

2009-2010 GCR to measure the UK's score in innovation. Moreover, this report was utilised to compile the Innovation and Technology Index to benchmark the UK's performance⁸¹¹. A number of conclusions were drawn from the evidence. Firstly, the UK has to build its innovation base to guarantee higher quality of life. Secondly, flexible work conditions have to be maintained in order to respond effectively to change. Thirdly, the competition regime needs to be strengthened and embedded more widely⁸¹². In addition to transferring knowledge, spreading competitive markets and enhancing regional economies, according to the evidence found by the DTI, "maximising potential in the workplace" is deemed vital to government intervention⁸¹³. In order to do so, employee involvement in the management of the skills and flexibility of the workplace is necessary, the Paper noted⁸¹⁴.

Moreover, BIS's *Economics Paper No. 9* confirmed the results of the Conservative report that economic performance made under labour was based on "unsustainable model of unbalanced growth" as it was mostly driven by government activity, particularly from 1999 to 2008⁸¹⁵. This was primarily evident in relation to: household debt as a share of GDP which increased from 66% to 88%; growing public spending that rose by 29% while the economy grew by 24%; and a decline in business investment from 11.7% to 10.5% as a share of GDP⁸¹⁶. Thus, to counter the inflationary impact of government fiscal and monetary intervention, the Paper

⁸¹¹ Factors that determine the volume of imports/exports of such products are spending on R&D, innovation capacity, and capacity for scientific research. Price competitiveness (depreciation of the pound) was seen as a significant factor in improving the UK's competitiveness without ignoring the importance of non-price competitiveness factors, *Ibid.* pp. 64-5.

⁸¹² *Ibid.* p. 29.

⁸¹³ *Ibid.* p.14 and p. 18. The DTI has identified sixteen policy areas that influence productivity and prosperity (based on the 5 drivers).

⁸¹⁴ Cully, M., et al, *Britain at work* (1999) cited in BIS, "UK Trade Performance: Patterns in UK and Global Trade Growth", *BIS Economics Paper No 8*. November (2010), p 21.

⁸¹⁵ BIS, "Economic Growth: Executive Summary", *BIS Economics Paper No. 9*, November (2010), For more details on the contribution of government activity to GDP growth in contrast to private sector, see *Ibid.* pp. 5-8.

⁸¹⁶ *Ibid.* p. 2.

called for an active private, rather than, sector role and a better management of the supply-side of the economy⁸¹⁷.

Based on this evidence, a new governmental framework for growth based on four pillars was set. First, providing the stability business needs: no big government, no debt, no weak financial services⁸¹⁸. Second, making markets more dynamic through ensuring fair competition, openness, reduced regulatory burden especially in case of market failure (in the table below, BIS presents its evidence on regulations)⁸¹⁹. Third, taking effective action to support business investment and growth through direct investment in R&D and infrastructure and encouraging business investment. The government has to correct market failures such as lack of finance, maintaining a favourable business environment; including stable and competitive tax regime⁸²⁰. Forth, supporting individuals to fulfil their potential through retaining sustainable levels of growth, which would encourage people to seek employment and maximise their productivity by upgrading their skills⁸²¹.

To be clear, the Paper emphasised that the benefit system, incentives to work, skills of labour and management, and the flexibility of the labour market and policies are among the most important factors that determine the outcome of the relationship between job creation and economic growth⁸²². Differences between countries in terms of the employment/growth relationship are explained in terms of the structure of the labour market and its dynamics, thus, its responsiveness to changes in the global economy⁸²³. Precisely, strict protection for contracts and constraining labour mobility into other productive firms or industries was stated as

⁸¹⁷ *Ibid.* p. 29.

⁸¹⁸ *Ibid.* p. P. 34

⁸¹⁹ *Ibid.* p. P.141.

⁸²⁰ *Ibid.* p. 66.

⁸²¹ *Ibid.* p. 98.

⁸²² *Ibid.* pp. 98-9,

⁸²³ *Ibid.*

counterproductive for productivity growth in the long-term⁸²⁴. Therefore, the Paper called for a liberalisation of the provision of regular contracts to US levels, leaving flexibility to negotiation between workers and employers depending on the firm needs⁸²⁵.

With regards to the benefit system, the Paper called upon the government to ensure that the fact employment pays more than benefits is delivered to people. Additionally, the government should approach the problem of unemployment through “the policy of activation” - welfare should be made conditional upon willingness to work and engage with the labour market through training. Such policy would also help preventing a further decline in skills of welfare claimants, which could worsen their employment and growth prospect. It emphasised that “active labour market policy will help economic growth and increasing income and living standards of those who were previously on benefit⁸²⁶. In short, active policies are seen as important for growth and the latter is important for social welfare.

In terms of evidence, according to the 2010-2011 GCR, the Paper noted, the UK has done well in terms of reducing the government’s regulatory burden but its competitiveness in this area is in decline compared to its competitors⁸²⁷. Moreover, it cited the GCR as evidence of the UK’s overall financial development and found that in spite of ranking first in this index, the UK “fell in some of the corporate governance rankings, for example falling from 2nd to 17th on efficacy of corporate boards between 2008 and 2009”⁸²⁸. Regarding infrastructure, the Paper built on the 2010-2011 GCR and its business opinion survey that revealed the ranking of the UK’s overall infrastructural environment in relation to its main competitors. It ranked 33rd behind

⁸²⁴ *Ibid.* p. 103.

⁸²⁵ *Ibid.* p. 105.

⁸²⁶ *Ibid.* p. 101, see also p. 59.

⁸²⁷ *Ibid.* p. 55.

⁸²⁸ *Ibid.* pp. 61-62. For the WEF it is the World Economic Forum (2009) Financial Development Report

France 4th, Germany 9th, Canada 13th, Japan 15th and the US 23rd⁸²⁹. Figure 23 below explains the evidence used⁸³⁰.

Reporting on the performance of the manufacturing sector in the UK in 2010, the BIS built the major bulk of its evidence on the 2010-2011 GCR. It praised the UK's improved performance (ranked 21th) compared to 2008 and 2009. Furthermore, it celebrated the ranking it achieved on the efficiency of labour market where it ranked 8th and called for enhancing its ranking in the macroeconomic environment⁸³¹.

Furthermore, in discussing the impact of the 2008-2009 recession on productivity and recovery in the UK, BIS built on the GCR to substantiate its evidence on the improvement achieved with regards to the competition regime that compares favourably with US and Germany. It states that "this view is also reflected in the indices of product and labour market efficiencies published in various issues of the Global Competitiveness Report published by the World Economic Forum"⁸³². It drew on the same evidence to confirm the progress made in infrastructure quality; goods market efficiency; labour market efficiency⁸³³. Similar trends are evident in the BIS's *Growth is Our Business* paper where it largely relied on the 2012-3 GCR to assess the UK's business environment, in addition to other reports⁸³⁴.

⁸²⁹ *Ibid.* p. 78.

⁸³⁰ Reports used: WTO (2008) World Trade Report, World Economic Forum (2010) Global Competitiveness Report 2010-11, , World Economic Forum (2009) Financial Development Report, World Bank (2010) Doing Business Report, World Bank (2009) Doing Business Report, World Bank (2007) Global Economic Prospects., World Bank (2006) World Development Report: Equity and Development. Is there a selectivity of choice here by the government?

⁸³¹ BIS, "Manufacturing in the UK: Supplementary Analysis", *BIS Economics Paper No. 10B*, December (2010), p. 38. Also the OECD Barriers to Entrepreneurship Index, World Bank Ease of Doing Business Index, Industry Confidence Survey by CBI in addition to several other national and international sources. For a list of sources see pp. 42-3.

⁸³² BIS, "Innovation and Research Strategy for Growth". *BIS Economics Paper No. 15*, December (2011), pp. xi-xii.

⁸³³ *Ibid.* p. 50 and pp. 61-2.

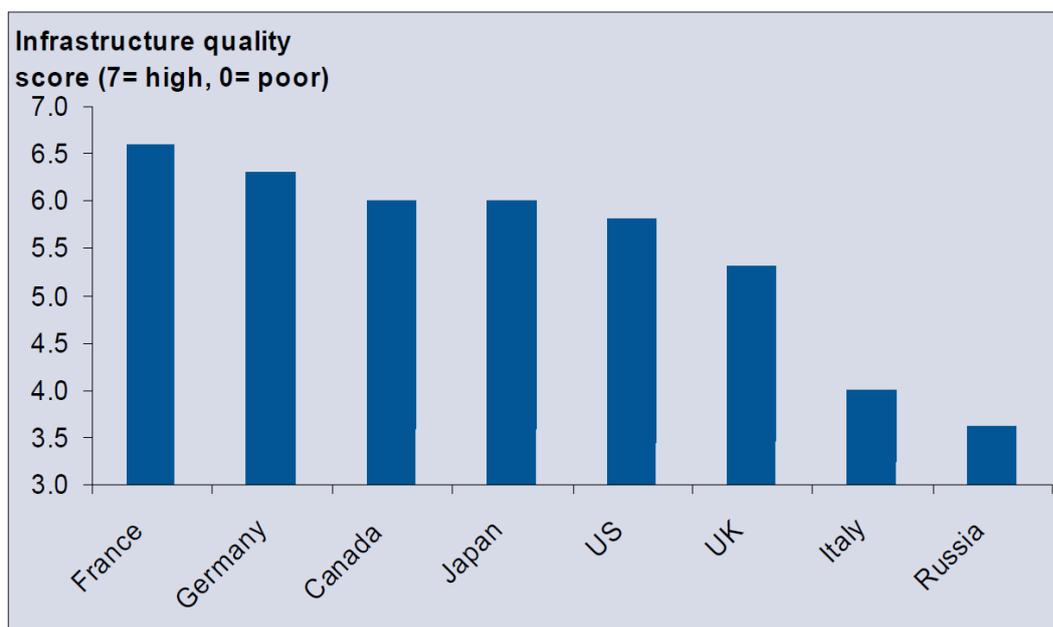
⁸³⁴ BIS, "Growth is Our Business: A Strategy for Professional and Business Services", *BIS*, July (2013).

Table 1: International Comparisons of Regulation¹⁴

| Rank | WEF Global Competitiveness (2010/11) | World Bank Doing Business Report (2011) | OECD Product Market regulation Index (2008) |
|------|--------------------------------------|---|---|
| 1 | Switzerland | Singapore | United Kingdom (joint first) |
| 2 | United States | Hong Kong | United States (joint first) |
| 3 | Singapore | New Zealand | Ireland |
| 4 | Sweden | United Kingdom | Canada |
| 5 | Denmark | United States | Netherlands |
| 12 | United Kingdom | | |

Source; BIS Economics Paper No. 9, November 2010⁸³⁵

Figure 23: 2010/11 Global Competitiveness Index – Assessment of General Infrastructure Quality in G8 countries



Source: World Economic Forum, Global Competitiveness Report

⁸³⁵ *Ibid.* p. 55. The WB Ease of Doing Business also ranked the UK 10th in protecting investors and in its Report on the Observance of Standards & Codes, the Bank ranked the UK very highly in corporate governance. *Ibid.* pp. 60-1.

In the aftermath of the 2008 financial crisis, in the UK, as in many other countries, saving rates decreased, debt increased, poverty mounted with budget deficit as government spending rose and business investment declined. As a result, and according to BIS, the UK became less competitive and less able to meet future challenges⁸³⁶. In its 2011 *Plan for growth* paper, BIS and HM Treasury states that:

Britain has lost ground in the world's economy, and needs to catch up. If we do not act now, jobs will be lost, our country will become poorer and we will find it difficult to afford the public services we all want...our standard of living will fall In the last decade other nations have worked hard to make their economies more competitive. They have reduced their business tax rates, removed barriers to enterprise, invested in their infrastructure, improved their education systems, reformed welfare and increased their exports⁸³⁷.

The evidence they used to substantiate such circumstances and to justify a new course of action derives again from the 2010-2011 GCR. Their report pointed out that while the UK ranked 4th in the 1998 GCR, it came 12th in 2010. Rising taxes and regulations, lack of skills and inadequate overall planning system are blamed for declining competitiveness as it hindered the ability of firms to grow and create jobs. George Osborne, in a forward to the paper, noted that “the facts today are staring Britain in the face. We’ve gone from having the 3rd lowest corporate tax in the EU-15 to having the 7th highest...In education, the foundation of economic success, we have slipped back. In international rankings of excellence in maths, we’ve fallen from 8th to 28th, in science from 4th to 16th”. Similar trends of deterioration were observed in manufacturing, exports⁸³⁸. Therefore the report called for a more balanced saving, exporting, high-skilled and innovative economy, competitive tax system in order to improve the UK’s

⁸³⁶ Forward by Vince Cable and George Osborne, BIS & HM Treasury, “The Plan for Growth”, *BIS & HM Treasury*, March (2011), p. 3.

⁸³⁷ *Ibid.* p. 12.

⁸³⁸ *Ibid.* p. 3.

ranking on international indicators of competitiveness and make the country one of the most attractive and best locations for investment. Although the openness of the UK and its labour market flexibility were seen as the surest signs of strength to build on future performance, the report called for enhancing the performance in this regard, in relation to hiring and firing practices and the burden of regulations which was ranked 49th and 89th by the WEF respectively⁸³⁹.

One important aspect of the recovery from the 2008 economic crisis is the changes occurred in employment practices. More specifically, “the rise of ‘precarious’ forms of employment” that include: casual, short-term arrangements and zero-hour contracts⁸⁴⁰. Such a change was praised by the CBI as a government success in providing flexible regulations for labour market⁸⁴¹. Specifically, during recession, such flexibility was recognised to have facilitated recovery through “the unprecedented co-operation between employers and employees through measures such as short-time working, hiring freezes and moderation in pay has helped to minimise job losses”⁸⁴². During the recession, the workforce responded positively to employers’ requests to “take unpaid leave, to work unpaid, to work annualised hours, or consider pay reductions”⁸⁴³. In practice such an employment model is perceived to have not only protected jobs but positively driven growth and enhanced UK competitiveness⁸⁴⁴. These form of employment, the

⁸³⁹ *Ibid.* pp. 3-4 and p. 37.

⁸⁴⁰ *Ibid.* p. 28.

⁸⁴¹ CBI, “Making Britain the Place to Work: An employment Agenda for the New Government”. *Employment Policy Directorate*, CBI, June (2010), p.1.

⁸⁴² *Ibid.* p. 1.

⁸⁴³ CBI, “The Shape of Business: the next ten years”, *Employment Policy Directorate*, (2009), p. 22, Flexibility applies to agency workers and zero-hours contracts. However, what represents a threat to flexibility of labour market and the competitiveness of the UK is comes from burden employment regulations and the skills gap. 72% businesses assessed their employee relations climate as cooperative or very cooperative; 74 of non-unionised businesses judged this climate to be so while only 51% unionised said so. For more info on the scope, scale and structure of the survey, see pp. 7-8.

⁸⁴⁴ Employment performance is improving due to labour market flexibility; employment rate is 70.1 % in UK compared to 64.1% across the EU and unemployment is at 7.9 % compared to 10.5 across the EU in 2012. CBI, “On the Up: CBI\Accenture Employment Trends Survey 2013”, *CBI*, (2013) P. 9.

CBI states, “are as important to many of those working on them as they are to businesses, so regulating them must target bad practice without demonising them”⁸⁴⁵. During economic recovery, the CBI holds that such labour market flexibility is a guarantee that jobs get created “at the first sign of demand rather than waiting for sufficient demand to justify hiring a full-time employee before taking somebody on”. Accepting flexibility of this kind by employees is crucial to find jobs even in times of economic downturn, let alone cementing the competitiveness of British businesses⁸⁴⁶.

In the October 2012 Paper, BIS presented a new set of competitiveness drivers: business environment, skills, innovation, infrastructure, trade and investment. It drew on the GCR and WCY to assess the overall competitiveness of the economy with more attention given to the survey while the OECD and WB’s rankings were used to obtain evidence based on hard data⁸⁴⁷. The 2009-2010, 2011-2012 and 2012-2013 GCR and the 2012 WCY were used to provide evidence of the UK’s strong economic performance as it ranked 8th, and 7th on the WB’s Ease of Doing Business Report⁸⁴⁸. The GCR is also utilised as evidence of a supportive business environment, developed financial market, stable macroeconomic environment, adequate competition regime, flexible labour market and desirable political and institutional environments⁸⁴⁹.

In relation to productivity, the UK Commission for Employment and Skills reported in 2014 that declining productivity is the cause of a weak recovery in the UK due to the lack of skills supplied to the labour market and stringent employment regulations. The labour market is seen

⁸⁴⁵ Matthew Percival “Zero Hours Contracts: Encouraging flexibility that benefits employers and employees”, *Employment & Skills Directorate*, CBI, March 2014, p. 1.

⁸⁴⁶ *Ibid.* pp. 1-4.

⁸⁴⁷ BIS, “Benchmarking UK Competitiveness in the Global Economy”, *BIS Economics Paper No. 19*, October (2012). p. 54. This paper is an update to the 2006 DTI paper No 17, and the 2008 BEER paper. Using the latest published data on competitiveness. More extensive use of the WEF is detected here.

⁸⁴⁸ *Ibid.* pp. vii- x.

⁸⁴⁹ *Ibid.* p. x. and pp. 70-76.

as efficient but not effective. Based on the 2013-2014 GCR, which ranked the UK 5th on the efficiency of the labour market and 10th overall, the Commission called for a policy intervention that is directed to compensate for productivity and skills weaknesses through education and training, but must also be cemented by employer's involvement in these areas in order to make it more effective policy⁸⁵⁰.

The WEF's influence on policymaking in the UK has not only manifested in the institutionalisation process. British, mainly Conservative, leaders have participated in Davos's annual meeting for several years. But notable in this regard is Cameron's use of Davos as a platform for selling the UK for investors. In his 2014 speech at Davos, he said:

All of us here in Davos know what it is that businesses need if they are to choose to locate in Europe. Macroeconomic stability... And above all, we need an unashamedly pro-business regulatory environment – with labour market flexibility, low jobs taxes and a willingness to pave the way for new business and new business models⁸⁵¹.

Then, Cameron made an attempt at attracting business investment to the UK by arguing that his government have put in place all the necessary fundamentals for a profitable and

⁸⁵⁰ The UK Commission for Employment and Skills is a public organisation that conducts research on skills' level in the UK and their impact on competitiveness. It encompasses members from trade unions, employers and the voluntary sector. Its objectives, include; maximising the impact of government employment and skills policies on job creation and economic growth, designing market solutions to investment in skills in consultation with businesses and creating an intelligence base for labour market in order to best inform businesses and people on available opportunities. The Commissions aims to achieve these objectives based on best practice and international benchmarking (most international data are taken from the OECD database), Lesley Giles, Forward to the UK Commission for Employment and Skills Report, "UK Skill Levels and International Competitiveness, 2013", *Evidence Report 85*, August (2014), p. i. The earlier version was produced in November 2012, Evidence Report 61. Few attempts were made in the 1990s by EU Commission on Competitiveness such as; Commission of the European Communities, "Growth, Competitiveness, Employment: The challenges and Ways Forward into the 21st Century", COM (93) 700 (1993) and Commission of the European Communities, "European Social Policy – A Way Forward for the Union: White Paper", COM (94) 303 (1994). Nevertheless, in contrast with the UK's White Papers on Competitiveness of 1994 and 1995, these two EU papers were designed in collaboration between EU institutions, member states, employers, trade unions and other civil institutions. All were involved in order to answer the following question: "what sort of society do the Europeans want?". But both papers considered labour market flexibility an integral mechanism to enhance the EU's competitiveness.

⁸⁵¹ David Cameron, "Speech at the World Economic Forum", Davos, January 24, 2014. <https://www.gov.uk/government/speeches/world-economic-forum-davos-2014-speech-by-david-cameron--2>, (accessed March 14, 2015).

competitive business; cutting the deficit to pay off debts, keeping interests rates low, putting a cap on welfare spending, upgrading the education system and delivering training to people, creating more jobs by supporting small businesses with the necessary infrastructure and tax regimes and planning to cut business tax to lower than 20%⁸⁵². In 2013, he delivered an appealing speech stating that the UK is:

We are a global nation with global interests and a global reach, and if you think all of this is somehow an unashamed advert for the UK and UK business you're absolutely right. Everything I do is about making sure we're not just competing in that global race, but we're succeeding in it⁸⁵³.

Furthermore, in 2012, in the context of declining growth rates in the UK and Europe, Cameron argued that Europe's lack of competitiveness is its "Achilles Heel" and noted that in order to move forward, the UK cut welfare bills and cost of the government, increased the pension age, and froze public sector pay. While he criticised the EU for increasing the burden on business and affecting jobs through, for example, the Agency Workers Directive, the Pregnant Workers Directive, the Working Time Directive, he made promises to business leaders at the Forum that his government will reduce red tape, review regulations, create a competitive tax regime, invest in infrastructure and keep spending under control while making finance available to small businesses. This according to Cameron, will make Britain "the best place in the world in which to start or grow a business". He concluded by making the following statement: "we are a country that is absolutely committed to enterprise and openness. Come to Britain. Invest in Britain"⁸⁵⁴.

⁸⁵² *Ibid.*

⁸⁵³ David Cameron, "Speech at the World Economic Forum", January 24, 2013. <https://www.gov.uk/government/speeches/prime-minister-david-camersons-speech-to-the-world-economic-forum-in-davos>, (accessed March 14, 2015).

⁸⁵⁴ David Cameron, "Special Address by David Cameron to the World Economic Forum 2012 Annual Meeting in Davos", January 26, 2012. <http://www.weforum.org/videos/special-address-david-cameron-annual-meeting-2012>, (accessed March 14, 2015); see also David Cameron, "Prime Minister's speech at the World Economic Forum", World Economic Forum, January 28, 2011, <http://www.weforum.org/news/david-cameron-speech-davos-confident-future-europe>, (accessed March 16, 2015). In his speech to the Mexico G20 meeting on the 18th

In short, these reports are evidence of the importance ascribed to competitiveness in national policymaking in the UK. They represent an attempt at institutionalising competitiveness into forming the UK's social and economic policies and reflect a commitment to building a competitive economy that is able to generate sustainable economic growth, low unemployment and higher living standards. Overall, the reports mentioned above are not the only ones. However, they are the core of the work that has been done in relation to institutionalising competitiveness in the policymaking in the UK in relation to building the macro and micro foundations of competitiveness. Perhaps a deeper engagement with the publications of other departments would yield equally important results. Most importantly, it has been demonstrated in this section that the UK has developed a national institutional response to the competitiveness imperative since 1994. Throughout this period, under both the Conservatives and New Labour, this national approach and the accompanying policy reforms have become informed by a rich evidence base that draws on data published by many international and global policy groups. Although there seems to be an increasing reliance on its reports, the WEF figures primarily as once source of evidence and its discourse as one element of the UK's competitiveness discourse alongside other domestic and external elements.

of June 2012, Cameron delivered Britain's achievements to the G20 leaders and all businesses on the watch for new opportunities, Cabinet Office, "Prime Minister's Speech at Mexico G20", June 18, 2012. *Gov. UK*. <file:///E:/Thesis/Thesis/CH6/Government/DTI/Prime%20Minister's%20Speech%20at%20Mexico%20G20%20-%20Speeches%20-%20GOV.UK.html>, (accessed March 16, 2015). For a critical argument against the EU regulations, see CBI, "Making Britain the Place to Work: An employment Agenda for the New Government". *Employment Policy Directorate*, CBI, June (2010), pp. 1-15. Caroline Spelman, Secretary of State, made the journey to Davos in 2011, Caroline Spelman, "Secretary of State's speech at the World Economic Forum Young Global Leaders UK event", *Department for Environment, Food & Rural Affairs, Gov. UK*, December 6, 2011. <file:///E:/Thesis/Thesis/CH6/Government/DTI/Secretary%20of%20State%E2%80%99s%20speech%20at%20the%20World%20Economic%20Forum%20Young%20Global%20Leaders%20UK%20event%20-%20Speeches%20-%20GOV.UK.html>, (accessed March 17, 2015).

Conclusion

In this chapter I have argued that the UK has developed a national, and selective, response to the imperative of international competitiveness. I have shown that most of the elements that composed its competitiveness discourse are a continuation of policy reforms that were already underway since the 1980s. Moreover, the UK's competitiveness discourse represents a mixture of macro and micro principles that inform its policymaking. However, as indicated by the reports analysed, the UK's discourse has experienced a shift towards placing greater emphasis on the microeconomic conditions of prosperity where labour productivity is taken as the driving engine of capital accumulation and economic growth. The argument made in all of these reports is that building sustainable competitiveness in the UK primarily rests on maintaining a flexible labour market and continuous upgrade of the country's knowledge base that would deliver the skills the market needs. Thus, public spending has become inclined more towards education, training and infrastructure than welfare programs. As evident in the policy debates and reports, traditional welfare policies are in the process of being largely dis-embedded from the society in favour for a type of welfare that is generated by a competitive and prosperous enterprise. This approach seems to be common among the political parties in the UK with a relative variance with regard to the operationalisation of competitiveness. While the Conservatives believe in market forces as the ultimate source of prosperity and social security, New Labour is more inclined to socialise competitiveness through maintain a certain level of state intervention in order to account for the social consequences of unfettered market force. Both parties are ultimately concerned with the reproduction of capital and labour but New Labour

seems to be more concerned with building a healthy society as a basis for sustainable competitiveness⁸⁵⁵.

Moreover, although there seems to be an increasing use of the GCR as a supporting evidence underpinning the policy-making process in the UK, it is evident that the WEF appears only as one discourse among many, national and transnational, in the national policy-making of the UK. The composition of the UK's evidence base is wide and diverse. And this should be understood as a reflection of national needs and conditions of capital-labour relations. As argued by our Open Marxist theory underpinning this research, the British state is only one political node in the global system of capitalism, a node that is not identical to other nodes given its specific relationship to capital. Its involvement in the activities of global policy groups such as the WEF is a form of management of this specific relationship. It originates from the need to reproduce capital and its exploitation of labour within its jurisdictions. Globalising British politicians have become place sellers, as shown in the case of Cameron, but their practice is derived from the conditions of their national environments that dictates a specific form of management of capital-labour relations and a specific relationship with global capital. Therefore, the evidence found in this chapter does not support the argument that state restructuring is an external imperative imposed by the TCC and its agents intended to maintain its hegemony over the state and its citizens. Neither does yield much support to the argument made in the TCC literature, as discussed in Chapter Two, that state politicians are part of the TCC and work to maintain its hegemony. Rather, the evidence found is enough only to suggest an overlap between national and transnational discourse of competitiveness, which reveals much about the global nature of capital rather than a far-reaching power of global policy

⁸⁵⁵ As argued by Freeman, "the war of the models", be it American, British or Asian, "is about labour markets". Richard B. Freeman, "War of the models: Which labour market institutions for the 21st century?", *Labour Economics* 5 (1998), pp. 1–24. For an idea of the nature of welfare reforms in the US starting from the 1980s, see Douglas J. Besharov and Amy A. Fowler, "The End of Welfare as We Know It?", *National Affairs*, (111), Spring (1993).

groups. This is, however, not to suggest the absence of elements of the WEF's competitiveness formula from the British discourse, which might be seen by Neo-Gramscians as a manifestation of the power of the WEF as a discursive formation. The British discourse has utilised elements of the Forum's, and other organisations', discourse for the sake of managing the national circuit of global capital. However, these elements have been adapted to the national conditions of class struggle in the UK. It should also be noted that in addition to the fact that there exists no hegemony of one version of competitiveness over another in the UK' discourse, the shape of the discourse and its components will always change depending on the changes in the nature of class struggle in the UK and the relationship the country has with global capital.

The outcomes of this chapter highlights the importance of challenging the orthodoxy in the competitiveness debate with more robust evidence. This research has shown how Open Marxism has a viable explanatory power in investigating the process of the institutionalisation of competitiveness in the UK and, most importantly, in challenging the assumptions of the TCC literature that state, and its politicians, are manipulated by capital or serve the interests of a transnational capitalist class of which they are members. It has proven to be a valuable analytical framework in explaining the relationship between the state, capital and labour. Had they applied their TCC analysis to the British case here, Neo-Gramscianism and other theories would, no doubt, have to rethink the principles underlying their analysis.

Chapter Nine

Conclusion

The research objectives of this thesis were two-fold. The first was to provide an alternative perspective for approaching the topic of the TCC and analysing the power it holds over the global economy and over the state restructuring process to that currently offered in the literature. The current approaches to the existence, structure and power of the TCC, both within and outside of IPE, are still incomplete in that the vast majority of the analysis has managed to proceed without studying the most salient manifestation of the TCC; the global policy groups, such as the WEF, that constitute the active agency of the class itself. Academics in IPE and other fields have made little effort to place them under the thorough examination necessary to unravel their workings and the mechanisms through which they influence state policymaking. This fact is evident also in the lack of a proper theorisation of how different elements of the 'global' society came together to form a transnational class that occupies the apex of the power structure in the global economy. The literature has so far not brought a theory of the state into a structure of analysis in which it has assumed that the state forms a significant element and thus from the state a substantial part of the structural power of the TCC arguably originates. Why so many state actors of dynamic and competing preference have chosen to take part in the activities of the TCC and its policy groups consequentially remains an unsubstantiated assumption.

The TCC analysis primarily yields the following conclusion: state officials are conscious of the interests of global capital only, at the expense of the rest of the society and other fractions

of national capital. Moreover, it is argued that states' officials are members of, and identify themselves with, the transnational capitalist class. This, I have argued, is a highly problematic assumption for many reasons. Among other things, it merely connotes that, inherently, politicians support and reinforce the interests of the TCC in order to maintain its hegemony in a capitalist system. The state, then, is reduced to an agent that *functions in favour* of capital and the capitalist class in a manner that detaches it, the state, from any other interests in the society. Or at best the state acts as if its interests are identical with the interests of the TCC which in turn represent the interests of the society as a whole. Sklair's argument, for example, presumes that the state is part of the TCC without introducing a conceptualisation of the state that would help explain why it should be considered as 'capitalist', or part of the capitalist class, let alone a proper concept of the class that can enhance the clarity of his argument⁸⁵⁶. On the other hand, the work of Carroll depicts the state as powerless and subject to the will of the capitalist class. Its non-class nature, for him, does not prevent states' officials from aligning their interests with those of the capitalists. It suggests that the form and role of the state are mere reflections of the economic structure and that the involvement of the state in global policy groups is a manifestation of the structural power of capital which, through ideology, expertise, and economic power, influences and controls the state⁸⁵⁷.

Such a problematic assumption is evident also in Robinson's conceptualisation of the TCC. For him, the TCC, through its organised inner circle of global policy groups, is "class conscious" of its "transnationality" and of its project of maintaining capitalist globalisation⁸⁵⁸. Earlier attempts made by Van der Pijl and Gill to theorise the formation of an Atlantic and Trilateral Ruling Class offer a great background revealing the historical context within which the roots of the TCC matured. However, their accounts are embedded in more an international

⁸⁵⁶ Leslie Sklair, "Democracy and the Transnational Capitalist Class", p. 144.

⁸⁵⁷ William K. Carroll, *The Making of A Transnational Capitalist Class*, p. 5, p. 179 and p. 225.

⁸⁵⁸ William I. Robinson, *A Theory of Global Capitalism*, p. 48.

relations approach to the emergence of the TCC which is more heavily focused on the nature of inter-state relations as the decisive factor in the making of the Atlantic Ruling Class than on the structure of the capitalist system and the role of the state in class-based capitalist society. Both Gill's "Transnational Hegemony"⁸⁵⁹ and Van der Pijl's hegemonic concept of control⁸⁶⁰ account for the active agency of global capital which captures the state whose interests become then identical to those of fractions of capital and opposite to the rest of the capitalists and to those of labour. It is an account that is built on the somewhat unquestioned hegemony of the footloose global financial capital that triggers a restructuring of the state from outside. Their view on the formation of the concept of control on which this class is constituted is one that is developed as a result of the rivalry between productive and money capital more than capital-labour relations.

In contrast, this thesis has shown how the analysis of the power of the TCC is not a straightforward one. It necessitates a concept of class and, equally important, an adequate conceptualisation of the state and its role in the capitalist society. It has demonstrated how addressing the first requirement helps to situate the TCC within a more legitimate context, one that is not arbitrary and ambiguously founded. Thus, a concept of class makes it easier to determine who belongs to the TCC and thus who contributes to its hegemony and power projection. In doing so, I have shown that the power of the TCC originates from the imperative of guaranteeing the reproduction of capital on the transnational and national levels by the state. The inner circle of the class is constituted only by the owners of the means of production. From a Marxist perspective, it is only the capitalist members of the TCC that could be regarded as constituting a "class-in-itself" since members of a class in a capitalist society share a similar position in relation to the mode of production, which the state does not, simply put. Also it is

⁸⁵⁹ Stephen Gill, *American Hegemony*, p. 209.

⁸⁶⁰ Van der Pijl, *The Making of an Atlantic Ruling Class*, p. 272-4.

only the capitalist members of this class who could be seen as forming a “class-for-itself” given their consciousness of the interests they have in common and the ways in which they exercise their power towards achieving these interests in national and transnational spheres.

Regarding the second requirement, this research has introduced an Open Marxist conceptualisation of the position of the state within the capitalist system in order to illustrate its involvement in the activities of the TCC without depicting it as part of the capitalist class or dominated by it, but rather as a moment in the global system of capitalism. This has provided a clearer sense of why and how the state is involved in the activities of the TCC and its policy groups instead of simply assuming that its policies and strategies are reflections of their needs. Open Marxism allows for viewing the state rather differently; that is, away from economic determinism or instrumentalisation by capital, and/or labour. As “circuit managers”, I have argued, states’ relation to the TCC should be seen as a manifestation of the consciousness of their system-determined role in managing class relations, which are global in nature, within their national boundaries. In that sense, what seems to be imposed through state restructuring by the TCC, is in reality a product of the management of capital-labour relations characterised by antagonism, and by struggle in and against domination in order to sustain the continuation of global capital accumulation. This has been demonstrated in relation to the assumed influence of the discourse of international competitiveness over the state.

The second research objective of the thesis was then to draw attention to another problematic that essentially springs from the first one. It is the fact that most of the literature on international competitiveness assumes undue influence of the discourse over national policymaking in a manner that allows no agency to the dynamics of the relationships between social forces interacting within state jurisdictions. It simply views the state as a passive recipient of the discourse who applies its standards in order to preserve the hegemony of the global system of

capitalism dominated by a hegemonic capitalist class. The emerging literature on the WEF suffers from a similar shortcoming when considering the involvement of the state in the activities of the Forum. Although Pigman's work is invaluable in terms of bridging part of the huge gap existing to date with regard to the academic research on the WEF, he falls into the same mistake as Robinson, Sklair and Carroll⁸⁶¹. Specifically, he ascribed an unchallengeable power to the WEF as a discursive institution. To him, the fact that various groups, social, political, economic and cultural, take part in the activities of the Forum makes it possible for the Forum to shape their identities, interests and, thus, actions. In this view, the Forum has become an agenda setter in the global economy and a source of public discourses that find their way into national policymaking. This thesis agrees with Pigman's position that the WEF attempts to influence state policymaking through generating public discourses. However, the account developed here is built on the argument that it is not through Davos and the multiple activities of the Forum that its power gets projected mainly, but through its competitiveness discourse channelled through the GCR.

I have argued that in order to fully understand the developments in the state structure that have been underway since the 1970s OM needs to take into consideration the role of the discourse associated with the neoliberal policies that have predominated national policymaking. Our perception of the nature and role of discourse is rather different from that of Pigman and others such as Fougner⁸⁶². Rather than viewing discourse as a tool of instrumentalisation by one actor over another, the thesis has argued that discourse is one form of class struggle alongside the political and the economic. Discourse is a moment that exists simultaneously with the political and economic moments; it is *one* element in the re/production of the capitalist social relations of production and its underlying class antagonistic relations. The point is, in order to adequately

⁸⁶¹ Geoffrey Allen Pigman, *A Multi-Stakeholder Approach to Global governance*, pp. 1-2.

⁸⁶² Tore Fougner, "Corporate Power in World Politics", p. 105.

assess the power that the WEF has, as a representative of the TCC, on the state, there is a need to be able to evaluate the influence its competitiveness discourse has on the state. In order to do so, I have developed an account for the role of discourse in the form of the state's management of capital-labour relations. Such an account allows for the contextualising of the role of ideas generated by the TCC within the economic and political dynamics of the relationship between the social forces that constitute them, the forces of capital and labour.

Much of the debate on the power of the discourse of competitiveness over the state builds on no adequate engagement with the discourse itself. I have pointed out that rather than deriving the influence of the discourse from political debates over competitiveness rankings, an adequate analysis should firstly engage critically with the competitiveness reports published by global policy groups such as the GCR of the WEF. Such an undertaking provides a more accurate analysis of reality by pointing out the difference between what these reports try to achieve on the one hand and how states actually respond in reality. Moreover, I have demonstrated how the WEF's discourse of competitiveness has shifted in essence to focus more on the microeconomic foundation of competitiveness rather than being concerned with the orthodox macroeconomic principles of competitiveness as assumed in most of the literature.

Another case study was therefore necessary to test the argument. I have examined how the UK has responded to the competitiveness discourse since the 1990s. I showed that the UK has developed a national, selective, response to the neoliberal imperative of international competitiveness. I have demonstrated that most of the elements that composed its competitiveness discourse are a continuation of those that were already underway in the 1980s. Moreover, the UK's competitiveness discourse represents a mixture of macro and micro principles that inform its policymaking. However, as indicated by the governmental reports analysed, the UK's discourse has experienced a shift towards placing greater emphasis on the

microeconomic conditions of prosperity where labour productivity is taken as the driving engine of capital accumulation and economic growth. The argument made in all of these reports is that building sustainable competitiveness in the UK primarily rests on maintaining a flexible labour market and the continuous upgrade of the country's knowledge base that would deliver the skills the market needs. Thus, public spending has become inclined more towards education, training and infrastructure than welfare programs. As evident in the policy debates and reports, traditional welfare policies are in the process of being largely dis-embedded from society in favour of a type of welfare that is generated by a competitive and prosperous enterprise. This approach seems to be common among the political parties in the UK with a relative variance with regard to the operationalisation of competitiveness. Specifically, while the Conservatives believe in market forces as the ultimate source of prosperity and social security, New Labour is more inclined to socialise welfare through more state intervention in order to account for the social consequences of unfettered market force. Overall, both parties are concerned with the reproduction of capital and labour but New Labour seems to be more concerned with building a healthy society as a basis for sustainable competitiveness⁸⁶³.

Moreover, it has been shown that there seems to be an increasing use of the GCR as supporting evidence underpinning the policymaking process in the UK. Although this may suggest a direct influence of the WEF over the social and economic policymaking of the UK, it is evident that the WEF figures only as one discourse among many, national and transnational, in the national policymaking of the UK. The composition of the UK's evidence base is wide and diverse. And this should be understood as a reflection of national needs and conditions of capital-labour relations. The British state is only one political node in the global system of capitalism, a node

⁸⁶³ As argued by Freeman, "the war of the models", be it American, British or Asian, "is about labour markets". Richard B. Freeman, "War of the models: Which labour market institutions for the 21st century?", *Labour Economics* 5 (1998), pp. 1–24. For an idea of the nature of welfare reforms in the US starting from the 1980s, see Douglas J. Besharov and Amy A. Fowler, "The End of Welfare as We Know It?", *National Affairs*, (111), Spring (1993).

that is not identical to other nodes given its specific relationship to capital. Its involvement in the activities of global policy groups such as the WEF is a form of management of this specific relationship. It originates from the need to reproduce capital and its exploitation of labour within its jurisdictions. Politicians have become place sellers, as was shown in the case of Cameron's speeches at Davos, but their practice is derived from the conditions of their national environments that dictates a specific form of management of capital-labour relations and a specific relationship with global capital. Therefore, the evidence found does not support the argument that state restructuring is an external imperative imposed by global capital or intended to maintain its hegemony over the state and its citizens. Neither does it yield much support for the argument made in the TCC literature, as discussed in Chapter One, that politicians are part of the TCC and work to maintain its hegemony. Rather, the evidence found is enough only to suggest an overlap between national and transnational discourses of competitiveness, which reveal much about the global nature of capital rather than a far-reaching power of global policy groups. This is, however, not to suggest the absence of the influence of the WEF as a discursive formation, but to draw attention to the importance of challenges to the orthodoxy in the competitiveness debate with more robust evidence.

As a discursive institution, the WEF has definitely influenced the discourse on international competitiveness. Nonetheless, the discourse of competitiveness is not a fixed one, it is a fluid concept that is in constant reconfiguration. Such a fact is related to the nature of social relations between the actors that interact through the discourse and construct its essence. As a discourse, international competitiveness derives its essence from the specific economic conditions that characterise each national economy.

The findings of this research prove that OM has much to offer to the field of IPE. Among other things, it offers an alternative lens through which to evaluate the changing nature of policymaking with the state as well as its role in relation to global capital. OM holds an

explanatory power which is valuable in identifying the agency of change in contemporary capitalist global economy. By departing from class struggle as the engine driving the development of capitalism, it helps by drawing an account of reality that avoids being trapped in a deterministic, instrumentalist or a structuralist depiction of such reality. Accordingly, it becomes possible to deliver an analysis of the state's restructuring process occupying academia that derives from the national conditions of the state rather than viewing change as a one-way process, imposed by transnational forces that deprive any state from the power to respond to national needs. As demonstrated in the British example, each nation-state has a specific relationship with global capital and figures only as a moment of its circulation. Therefore, each state experiences a restructuring process specific to its own position in relation to the global economy, a relation that is conditioned upon the ability of the state to manage the capitalist social relations of production within its borders. This fact explains the different levels of restructuring, different competitiveness, economic growth, employment rates and prosperity. The importance of the local conditions in the competitiveness of businesses and countries should be perceived in this context.

Caveats and Suggestions for Future Research

Given its focus on only one of several global policy groups, the ability to generalise the findings of this research is limited. Further research is needed to examine how other global policy groups

of the TCC have been formed and an investigation into their structure is required to identify the reasons that yield more influence to some of them over global and national policymaking compared to others. As was evident in the British case, the IMD's account of competitiveness seems to have gained more credibility for policymakers in the UK more than the WEF. It has found its way into the evidence base used to inform the government's policymaking in a more noticeable way compared to the Forum. Thus, an examination of the foundation of its influence could yield fruitful results that would help to determine what constitutes its credibility and what sort of channels are used to project the power of its discourse. Moreover, the research on the discourse of international competitiveness could be enhanced further by studying the national centres that conduct research on international competitiveness. Although they do not seem to have been influential at shaping national policymaking, their influence is maybe evident at different levels and for different actors.

Other works have been carried on in relation to global policy groups and their influence over national policymaking such as the TC and ERT, as mentioned in Chapters One and Five of the thesis, therefore another step forward would be to conduct a comparative analysis of the structure of global policy groups which would help to evaluate the extent of their representativeness of the TCC. If done, this could contribute to the TCC literature and perhaps enrich its theoretical and empirical foundations.

It is evident that competitiveness has been politicised through policy debate and policymaking, as researchers on international competitiveness have argued. However, there is a need in the literature to build a richer empirical account of the depth to which competitiveness has been internalised within the state's policymaking. What is more, there is a need to analyse the nature of the discourse internalised in order to distinguish between what is nationally produced and what is transnationally adopted. This should also serve as encouragement for academics from all relevant disciplines to approach the topic in a multi-disciplinary manner. The contribution

of this thesis, along with the work of others, such as Rune Moller, could serve as a productive starting point⁸⁶⁴.

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⁸⁶⁴ Rune Møller Stahl, “The rise of Neoliberalism in Denmark: ideas, policies, and paradigm shifts”, (2015), Paper presented at Critical International and Political Studies Working Group, United Kingdom.

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