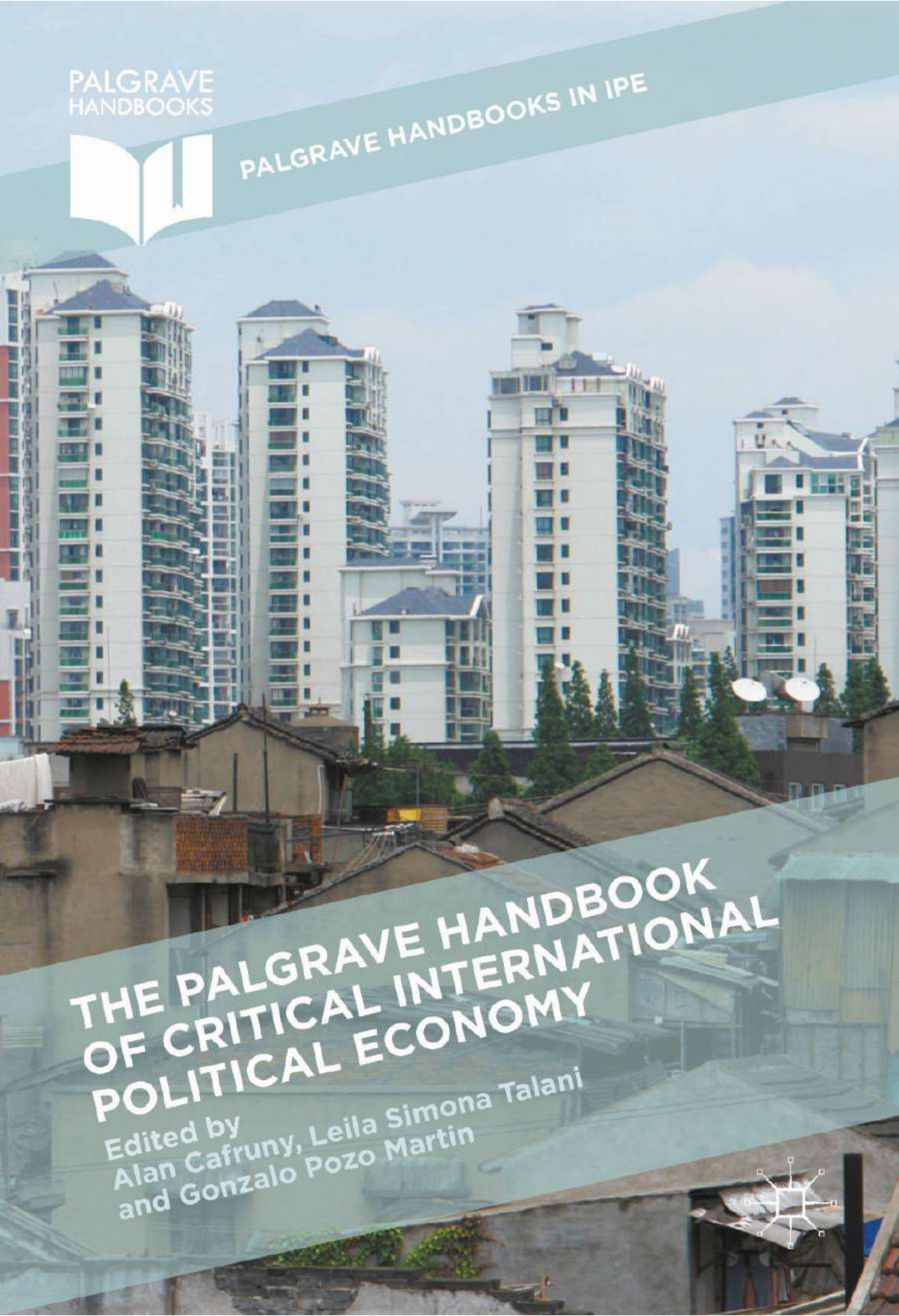
PALGRAVE
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PALGRAVE HANDBOOKS IN IPE
THE PALGRAVE HANDBOOK
OF CRITICAL INTERNATIONAL
POLITICAL ECONOMY
Edited by
Alan Cafruny, Leila Simona Talani
and Gonzalo Pozo Martin

Alan Cafruny • Leila Simona Talani • Gonzalo Pozo Martin
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1

Introduction

Alan W. Cafruny, Gonzalo Pozo Martin, and Leila Simona Talani

Critical international political economy (CIPE) refers to a range of intellectual perspectives that challenge the assumptions of "mainstream" international political economy (IPE). *Critical* IPE can be distinguished from the two dominant mainstream schools of thought—realism and liberalism—on the basis of two related assumptions. First, from an ontological and methodological standpoint critical theorists reject several propositions common to mainstream scholarship: that IPE's field of enquiry is constituted by real objects and forms of agency which can be treated as objective and separate, rather than historically and socially dynamic, constructed, and mutually constituted; that the principal objective of social science is to identify causal relations and formulate empirically falsifiable predictions about them; and crucially, that empirical research can be separated from normative inquiry. Second, from a normative standpoint mainstream approaches can be considered to be "problem solving" and not "emancipatory" because they take basic socioeconomic and political structures as neutral categories, given and immutable, and the policy recommendations that arise, either implicitly or explicitly, from their analyses remain confined within the context of these structures. Critical theory, by contrast, problematizes socioeconomic and political structures. It considers them potentially transitory and subject to change. As Robert Cox has written, critical theory "does not take institutions and social and power relations for granted but calls them into question by concerning itself with their origins and whether they might be in the process

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of changing" (Cox 1981, p. 129). Hence his famous dictum "theory is always for someone and for some purpose" (Cox 1981, p. 128). From the perspective of CIPE, states and markets, institutions and power relations or individuals and ideas, along with their historical, co-constitutive evolution, are the site or the engine of political contestation. In this tradition the point of any theory is not simply to understand a world of cooperation and conflict, but also to uncover the ways in which purportedly objective analyses reflect the interests of those in positions of privilege and power.

The field of IPE has always been an inbuilt vocation within historical materialism, with its explicit ambition to make sense, from a critical standpoint, of the capitalist mode of production as a world system of sometimes paradoxically and sometimes smoothly overlapping states and markets. Marxist and neo-Gramscian scholarship spearheaded the growth of a vigorous critical scholarship in the 1960s and 1970s alongside the development of the discipline of IPE. During the 1980s, constructivist, post-modernist, and feminist approaches gained popularity as Marxism and neo-Gramscian approaches became increasingly marginalized, especially in the USA. However, as a result of real changes in the world, and beginning with the critique of neoliberal globalization in the late 1990s, the return of imperialism/empire as essential categories of debate after the Bush administration's war on terror, and more recently with the global financial crisis, the strengths of critical theory are becoming more widely recognizable.

This divide between the orthodox and critical approaches has been broadly equated in Cohen's intellectual history of IPE with the growing distinction between the so-called "American" and "British" schools of IPE.[1] This characterization sparked a trail of indignant responses, which found their outlet in the special issues of two of the leading journals in IPE: the *Review of International Political Economy* (RIPE) which focused on the American school of IPE[2] and a special issue of *New Political Economy* (NPE) which hosted the reactions from the so-called British school.[3] American IPE scholars as Peter Katzenstein, Kate McNamara, Henry Farrell and Marty Finnemore suggested that Cohen might have missed a large part of the American school of IPE by focusing mainly on journal outlets and forgetting other contributions to the debate, particularly

[1] See Cohen, B., (2008), *International Political Economy: An intellectual history*, Princeton University Press, p.4; see also Cohen, B., (2007), "The transatlantic divide: why are American and British IPE so different?", *Review of International Political Economy*, Vol. 14, no. 2, pp. 197–219.

[2] *See* Review of International Political Economy *(2009) Vol. 16, no. 1, "Special Issue: Not So Quiet on the Western Front: The American School of IPE".*

[3] See New Political Economy (2009), "Special Symposium: The 'British School' of International Political Economy", *New Political Economy*, Vol. 14, No. 3.

books.[4] Similarly, the members of the British school emphasized how the field of IPE in the UK (and in Europe for that matter), was much more varied than portrayed in Cohen's characterization.[5] The question, however, is not so much one of distinguishing between different political scientists' interpretations of IPE, but between the orthodoxy and CIPE, which is the subject of this book.

Intellectual Background: Rationale for the Handbook

IPE is a very young discipline, at least in its "modern" phase having (re-)emerged during the late 1960s and early 1970s amid the growing turbulence of the collapsing Bretton Woods international monetary order. Prior to this time international relations (IR) and economics had constituted more or less autonomous and self-contained fields of inquiry. Their separation can be traced to intellectual developments in the mid-19th century when the classical conception of a unified "political economy" was replaced by more narrowly defined disciplines of sociology, political science, and neoclassical economics, the latter with its assumption of general equilibrium and emphasis on marginal utility. The nature of the post-World War II settlement served to reinforce this separation of economics and IR. The three-decade long "golden age" of steady growth, full employment, and relatively harmonious international economic relations appeared to validate the distinction between economic relations as "low politics" and Cold War great power rivalry as "high politics". However, by the late 1960s it had become clear that this distinction made little sense. The inherent politicization of international economic relations was becoming increasingly apparent.

The (re)birth of IPE was marked by what can be seen in retrospect to have been a spirit of intellectual openness and engagement. Three basic paradigms or schools of thought emerged: liberalism and mercantilism corresponded closely to the idealist–realist dichotomy that had long held sway in the study of IR. A third school of thought, Marxism (often misleadingly cast as "structuralism"), completed the trinity. As a review of textbooks and leading journals of the 1970s and early 1980s suggests, Marxism played an important role in establishing the theoretical parameters of the fledgling discipline and provoking vigorous and constructive debates. Prominent realist scholars such as

[4] *See* Review of International Political Economy *(2009) Vol. 16, no. 1, "Special Issue: Not So Quiet on the Western Front: The American School of IPE".*

[5] See New Political Economy (2009), "Special Symposium: The 'British School' of International Political Economy", *New Political Economy*, Vol. 14, No. 3.

Robert Gilpin (1975), and Stephen Krasner (1978) and liberals such as Robert Keohane and Joseph Nye self-consciously and painstakingly constructed their own theoretical and conceptual models in opposition to the Marxist tradition. For example, Keohane and Nye's influential *Power and Interdependence* (1977) acknowledged important disagreements with Marxist scholars while exhorting them "to develop models of international regime change to compete with or complement our own" (p. ix). Their subsequent *After Hegemony* (1984) was by no means unique in including a sustained, sophisticated discussion of the various strains of thought within the Marxist tradition. The centrality of this tradition to early IPE scholarship was not, perhaps, surprising. Marxism represented a unified political economic approach to social and international relations. It studied the interaction of interests and ideology as well as power and production. It conceptualized global capitalism not in terms of stability and equilibrium, as with the neoclassical tradition, but rather in terms of uneven development, conflict, and crises. And it sought to promote structural change at a time of massive popular mobilization.

Since the early 1980s scholars of critical IPE working within the Marxist and neo-Gramscian traditions have continued to make significant contributions to our understanding of the international political economy. Indeed, as this volume clearly attests, a rich and variegated tradition has continued to develop over the past four decades. Yet, their contributions would not be so readily accessible to students and scholars on the basis of a review of the leading IPE journals and textbooks over the past three decades. Even as other strands of what we have called CIPE—feminism, post-modernism, and constructivism—emerged and, in some respects flourished, during this period Marxist scholarship was for the most part cast out of the mainstream temple. As a result, the field of IPE lost much of the ecumenical character that had marked its founding. IPE scholarship has been impoverished, especially in the USA where critical IPE has been most marginalized. Indeed, this impoverishment has been widely recognized. For example, Benjamin Cohen has concluded that (mainstream) IPE journals have become "boring" reflective of a "distinct loss of ambition", especially in the USA:

Out are the kind of big ideas and intellectual challenges that characterized the field in its earlier years. Instead, scholars are incentivized to focus on mid-level theory. In contrast to macro theory (or metatheory), mid-level theory eschews interpretive theory or grand visions of history and society. Rather, work tends to concentrate on narrow individual relationships isolated within a broader structure whose characteristics are assumed, normally, to be given and unchanging (Economists would call this partial-equilibrium analysis, in contrast to general-equilibrium analysis). Such work is by no means unimportant; much of it yields useful new insights. But like a steady diet of gruel, it leaves us hungry for more—more variety, more exotic ingredients, more spice (2009).

A comprehensive explanation for this state of affairs would require a more extensive sociology of knowledge of the field of IPE and related developments throughout the social sciences. However, our contention in this volume is that the narrowing of the discipline of IPE was closely connected to the marginalization of critical theory. Such marginalization, we hasten to add, was not a result of the intellectual limitations of the Marxist and critical scholarship. Rather, it was a reflection of a transformed political climate and transitory academic fashion that resulted from the crises of "Fordism" and Keynesian macroeconomic policies, the corresponding collapse of socialism and social democracy, and, above all, the short-lived but extraordinarily consequential, intellectual hegemony of neoliberalism.

Academic Marxism, together with other more recent critical approaches that we include in this volume under the heading of "critical international political economy", emerged not only because the crisis of the Bretton Woods system had undermined so many of the assumptions of existing mainstream scholarship, but also because it accorded with the broader political *zeitgeist* of the 1960s. In the USA the anti-imperialist and civil rights movements gradually overcame Cold War restrictions on academic freedom and re-introduced a flourishing radical scholarship to the academy. Similar if less dramatic developments took place in the UK, Europe and beyond. However, the end of the "Golden Age" amid debt crisis and stagflation produced an entirely new situation. Spearheaded by the elections of Margaret Thatcher in 1979 and Ronald Reagan in 1980 the neoliberal era was dawning. "Globalization", with its emphasis on open markets, deregulation, and radical individualism, was thought to be inaugurating a new era of international harmony. In the wake of the collapse of socialism in China and Eastern Europe, Francis Fukuyama, the high priest of capitalist "triumphalism", proclaimed "the end of ideology". Proponents of the "Washington consensus" in Wall Street, Washington, international organizations, and academia sang the praises of an allegedly seamless global capitalism, even as the draconian "structural adjustment" programs that they demanded were achieved through the application of massive state power. As the International Monetary Fund was tightening its grip over massively indebted states of the global south, rapid growth rates in some developing countries were widely assumed to have refuted claims that north–south relations were characterized by power and dependency. Europe's neoliberal architects sought to unite the continent under the banner of "competitiveness" and market freedom. It was assumed that formerly socialist countries should have little trouble integrating rapidly into this seamless global web as long as their embrace of the marketplace was sufficiently ardent and unconditional. Central bankers asserted that recessions had been rendered obsolete as a result of globalization and their newfound ability to fine-tune the "goldilocks economy".

Whilst the currency crises of the late 1990s, the rise of an anti-globalization movement and the overtly imperial turn in American foreign policy opened the first fissures into the theoretical stronghold of mainstream theories, all of this came crashing down in 2008, leaving the fields of economics and IPE in disarray. Indeed, it is not an exaggeration to assert that the crash of Lehman Brothers Bank and the subsequent global financial crisis not only exposed the profound "internal contradictions" of neoliberal globalization over the past three decades, but also much of the entire intellectual edifice on which it rested. It is a striking fact that the increasingly narrow confines of mainstream scholarship have had very little to say about the crisis of the Eurozone, the failure of structural adjustment programs to inaugurate economic development, the growth of mass unemployment and inequality, the inability to develop alternatives to austerity, and the rise of new social movements. Scholars working within the tradition of CIPE have been particularly inclined at studying precisely these phenomena. It is indeed debatable, as this handbook will try to demonstrate, that 8 years into the crisis the established body of neoclassical concepts and approaches derived from Liberalism and Realism provide an adequate basis for analysis. In important respects, then, this volume represents something of a restorative effort at the same time as, of course, seeking to point the way forward.

The handbook comprises three parts. In the first part, our authors present the basic elements of each of the main critical perspectives. The second part will show how critical theory can be applied to basic problems and issues in the contemporary IPE. In the third part an attempt is made to study the political economy of different geographical areas from a distinctive critical political economy perspective.

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The Transatlantic Imperium After the Global Financial Crisis: Atlanticism Fractured or Consolidated?

Alan Cafruny

The global financial crisis of 2008 started in the USA, but its shock waves spread rapidly and relentlessly across the Atlantic, turning the "European dream" into a nightmare of stagnation and nationalism. Although US leadership averted a full-scale European meltdown (Tett 2010; Cafruny and Talani 2013) nevertheless conflicts and contradictions in the transatlantic area—the core of the US imperium since 1945—appear to have sharpened since the outbreak of the crisis. Amid accelerating uneven development and crippling austerity, European support for Washington's confrontational policies towards Russia resulting from the civil war in Ukraine—expressed most clearly in sanctions that were first enacted in the spring of 2014—is fragile. The Transatlantic Trade and Investment Partnership (TTIP), a key geopolitical and economic project designed to consolidate Atlanticism, has provoked massive opposition in Europe. In March 2015, the USA failed to prevent its closest European allies, including Britain, Germany, France, and Italy, from joining the Chinese-led Asian Infrastructure Investment Bank, leading Lawrence Summers to conclude that this "may be remembered as the moment when the United States lost its role as the underwriter of the global economic system" (Summers 2015, p. 1).

This chapter explores the nature of Atlanticism from the standpoint of critical political economy. The first section contrasts critical and mainstream approaches with respect to the evolution of transatlantic relations since 1945. The second and third sections illustrate the strengths of a critical international

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political economy (IPE) by focusing on what are arguably the two most significant contemporary issues for the Euro-Atlantic area: first, the war in Ukraine and subsequent crisis of Russia-Western relations; and, second, the impasse over the TTIP. By relating these key developments to the underlying transformation in capitalism—and especially the neoliberal trajectory that is a key distinguishing factor over the past three decades—this chapter shows that critical IPE provides a deeper and more comprehensive explanatory framework than that of realism or liberalism.

Imperialism: Europe and America

The analysis of transatlantic relations has generally been conducted within the framework of the two dominant paradigms of IPE: realism and liberalism. Ever since the 1950s liberal scholarship has emphasized the significance of an increasingly dense web of communication and "interconnectedness" as the basis for a transatlantic "security community" (e.g. Deutsch 1968). Whilst acknowledging the centrality of US hegemony in the construction of liberal international and regional institutions—including, of course, the transatlantic "security community"—it argues that these institutions can endure even as the hegemonic power of their progenitor gradually erodes (Ikenberry 2001). Liberal assumptions have also informed mainstream approaches to European integration, positing a contrast between the putatively progressive and optimistic "rationality" of market forces—a teleological logic of progressively more dense transactions—buttressed by a sense of cultural community or affinity against the pessimistic atavism of state power and nationalism. Realists, by contrast, have rejected the assumption that deepening global economic interdependence and commodification imply greater cooperation at either the global or European level. Thus, whereas liberal scholarship has focused on the unification of markets underpinning the transatlantic security order (Rosecrance 2013), realists have understood these developments as reflections of the cold war (Gilpin 1975) or "new cold war" (Levi 2015) and, since 1991, the persistence of great power conflict between the USA and Russia (Frolich 2012).

A critical IPE approach takes as its basic point of departure the historical materialist concept of imperialism, thereby rejecting the assumption of a harmony of capitalist interests. Whilst it acknowledges the importance—and indeed in some accounts the relative autonomy—of geopolitical competition arising from the struggle for power, inter-state rivalry ultimately arises from the logic of capital accumulation and the functions the capitalist state acquires as capital pushes inexorably beyond the boundaries of its own nation-state. Liberal approaches deploy pluralist assumptions: the capitalist state is viewed as a neutral actor that is connected to society in theoretically unspecified ways. Realists conceive of the state as an autonomous entity that acts more or less independently of social forces (e.g. Krasner 1979, 1985; Ikenberry 1998). Despite their differences, these approaches are similar insofar as they adopt a more or less open-ended view of the possibilities of state action, which is assumed to respond variously to public opinion, the preferences of interest groups or political factions, shared norms and values, or the imperatives of a given geopolitical configuration.

Historical materialism, by contrast, asserts the existence of an organic and unbreakable link between the state and the capitalist class that sharply circumscribes the "limits of the possible" in domestic and foreign policy. On the one hand, most top government officials and politicians are drawn from elite social and cultural networks that nurture a special sympathy for the problems of "big business". (e.g. Miliband 1969). These networks are especially well-defined and exclusive in the area of foreign policy where they are controlled by foundations and think tanks such as the Council on Foreign Relations (Domhoff 2006) or the European Roundtable of Industrialists (van Apeldoorn 2002). On the other hand, elected officials are also "structurally" linked to capital by virtue of the need to establish economic and political conditions favourable to accumulation as well as their dependence on the approval of an essentially corporate media for electoral success (e.g. O'Connor 1973; Poulantzas 1975). The need to promote stability and acquiescence in domestic politics and (to a much lesser extent) in the international sphere through granting concessions to subordinate classes and rivals gives the state an outward appearance of neutrality, but the special bias towards capital and the need to promote capital accumulation are distinctive and permanent features.

The capitalist state is inevitably drawn into the international sphere—and consequently imperialist rivalry—as a result of the growing concentration and centralization of capital, the long-range tendency towards overaccumulation and, hence, stagnation, and the consequent need to promote capital accumulation beyond its own borders (Lenin 1916; Magdoff 1969; Harvey 2003). In the domestic arena the state stands apart (to at least some extent) from the struggles among individual firms and fractions of capital. In foreign policy, however, it cannot remain aloof. It is compelled to perform even more challenging and potentially far more dangerous sets of tasks. As Hannes Lacher writes,

> Internationally, individual states can use their political power to structure international competition in ways which benefit "their" capitals to the detriment of the capitals of other states. They can use their borders and currencies to mediate the competition between the multitude of individual capitals. Thus, the world

> market is not simply a system of individual capitals competing with each other economically, but is a system in which states are parties in the competition for world market shares rather than guarantors of the market as such. (2002, p. 161)

The classic phase of imperialism developed in the wake of British decline in the late 19th and early 20th centuries, and focused on the control of raw materials and resources and access to markets. As working-class parties gained strength, the leading imperialist powers also become more actively involved in securing the social and political conditions for the reproduction of the labour force and the maintenance of market discipline (Magdoff 1969).

The concept of hegemony refers to the systemic supervisory function that leading states have performed during certain historical periods. Because there is no "higher authority" imperialist rivalry has been a more or less permanent feature of the world capitalist system since its inception (Wood 2002). The fact of rivalry requires a non-reductionist analysis that incorporates both geopolitical and economic competition, a point of some contention among scholars of IPE. As Alex Callinicos (Callinicos 2007, p. 542) writes, "there is, necessarily, a realist moment in any Marxist analysis of international relations and conjunctures": in other words, any such analysis must take into account the strategies, calculations and interactions of rival political elites in the state system. Rivalry can be moderated either through the actions of a hegemonic power willing and able to maintain global order (Block 1977; Varoufakis 2013) or, more controversially, as a result of the emergence of a "transnational capitalist class" that would reduce the coercive aspects of intra-regional and perhaps even international conflict. Andreas Bieler and Adam Morton (2015, p. 105), for example, contend that "one has witnessed the emergence of a transnational capitalist class (TCC) meaning that it is no longer possible to simply speak in terms of a rivalry between "German" capital, "French" capital, or "US" capital, etc." (see also, *inter alia*, van der Pijl 1984; Gill 1990; van Apeldoorn 2003; Robinson 2004; Hardt and Negri 2000). The emphasis on hegemony points to the utility of Regulation Theory for our understanding of the basic contours of the transatlantic relationship after World War II. Hegemonic leadership involves political-military supervision and stabilization, but also the establishment of various regulatory projects that arise at the national level and are reproduced in general form among subordinate advanced capitalist states and, to a lesser degree, throughout the global south.

The history of post-World War II transatlantic relations can be divided schematically in terms of distinctive phases of capitalist regulation or "concepts of control" (van der Pijl 1984). During the Bretton Woods era the USA underwrote a regulatory project of Fordism or embedded liberalism (Ruggie 1983) in which financial markets were subordinated to the objective of full employment, regulated labour markets, and a relatively high degree of social stability throughout the core regions of North America, Western Europe and Japan. In Gramscian terms, this phase involved "internationalization of the New Deal" (Panitch and Gindin 2013, p. 69) reflecting the distinctive balance of class forces: a Western and Northern European social settlement reflecting the ascendancy of communist and socialist movements and parties, the somewhat more diffuse "new deal coalition" in the USA into which industrial unions were incorporated, and the imperative need to promote social and political cohesion in the context of the cold war. The system was underwritten by the dollar-gold standard which provided both liquidity and monetary stability, and the ability of the USA to accommodate Japanese and Western European neomercantilist industrialization policies (Bellofiore et al. 2010). The EU's "first project of integration", Cafruny and Ryner (2007; see also Ryner 2007) entailed limited forms of economic integration designed not to eliminate, but rather to buttress the nation-state (Milward 1992), corresponding to the embedded liberal order.

The crisis of the Bretton Woods order starting in the late 1960s reflecting the relative decline of US industrial competitiveness, gave rise to greater rivalry between the USA and Europe in both the economic and political spheres, ultimately bringing about the collapse of the embedded liberal project itself. The crisis provoked debate concerning the possibility of a resurgent Europe, centred on the EU, and the emergence of a potentially new centre of power: was, in fact, such a new centre of power—a "European challenge"—emerging? Or was the EU destined to remain subordinated to a still consolidated US hegemony? Within critical IPE this debate centred on the debate between two distinguished Marxists, the Belgian Ernest Mandel and the Greek Nicos Poulantzas, who drew radically different conclusions to the resolution of the dialectical interplay of conflict and cooperation resulting from the growing stock of US foreign direct investment in Europe (Auvray and Durand 2015).

Ernest Mandel (1969) concluded that European capitalism was gradually amalgamating under the umbrella of the EU and, as it did so, the result was growing rivalry with the USA. Mandel's thesis was consistent with assumptions of the emergence of a transnational European capitalist class that re-emerged in the 1990s in the context of the "relaunching". By contrast, Nicos Poulantzas (1974) was more sceptical of the prospects for an autonomous European centre of accumulation and, therefore, de-linkage from the US superpower. Focusing on the implications of massive US foreign direct investment in Europe, the continuing dependence of European export capital on the US market, and the technological leadership of US capitalism, and the growing significance of money-capital, Poulantzas proposed the term "interior bourgeoisie" (1974, p. 164) to describe the continuing subordination—and fragmentation—of national capitalist classes, European capital in general, and, hence, the EU itself.

From the perspective of 2015 there can be little doubt that Poulantzas offered the more prescient analysis. French President Francois Mitterrand's U-turn from national Keynesianism to market integration in the early 1980s dealt the final death blow to the post-war settlement and signified the beginning of Europe's second integrationist project—the neoliberal "relaunching"—based on a more or less genuinely single marketplace, financialization within the framework of the Wall Street Treasury regime (Gowan 1999; Panitch and Gindin 2013), culminating in a monetary union organized on the basis of neoliberal principles of internal devaluation. The second project was given impetus by the collapse of the Soviet Union and the entry of central and eastern European countries first to NATO and then to the EU itself, a further phase of neoliberal consolidation. However, notwithstanding the considerable institutional and constitutional development of the EU the neoliberal project greatly reduced national prerogatives without giving rise to the pan-European polity or, arguably, a pan-European capitalist class. Temporarily contained by the financial bubble of the early 2000s, the inherent contradictions of the neoliberal project intensified in the context of the global crash, resulting in the outbreak of the Eurozone crisis (Cafruny and Ryner 2007). Ironically, Europe's greatest degree of geopolitical and economic autonomy—albeit clearly still sharply constrained—was achieved not in the post-Maastricht neoliberal era, as so many observers had predicted, but rather in the post-1965 era which saw the expulsion of NATO from French territory, the development of ostpolitik, and French resistance to US monetary hegemony. The twin concepts of "interiorisation" and neoliberalism thus remain crucial to understanding the implications of contemporary geopolitical and economic developments in the transatlantic sphere, including the crisis of the "new cold war" and the TTIP.

The USA, Europe, and the New Cold War

Throughout the winter of 2013–4, tens of thousands of Ukrainian citizens occupied Kiev's central square (Maidan) to protest then-President Viktor Yanukovych's eleventh hour decision to reject Ukraine's entry into a partnership agreement with the EU in favour of existing linkages to Russia and the

Eurasian Economic Union. Following a cycle of violence whose origins are uncertain but which clearly involved both protesters and the government, in February 2014 Yanukovych was violently deposed and a provisional government was formed that received strong support from the EU and the USA. In response to what it concluded was a Western-backed *coup d'etat*, and a hastily organised referendum indicating the deep reservoir of pro-Russian sentiment, Russia annexed Crimea. Presidential elections of June 2014 brought to power a Western-leaning "oligarch", the "chocolate king" Petro Poroshenko, who pledged to "return Ukraine to its natural, European state" (President of Ukraine, 2014), to sign a partnership agreement with the EU that Yanukovych had rejected, to recover Crimea, and to subdue by force the Russian-leaning rebel areas of Ukraine. Given the pro-Western complexion of the government and significant neofascist support, an "anti-Maidan" developed among ethnic Russians in eastern and southern Ukraine, eventually leading to self-proclaimed republics in Donetsk and Lugansk, and received significant military support from Russia. Since April 2014 more than 8,000 have been killed, 15,000 wounded, 1.2 million internally displaced, and more than 700,000 have fled abroad, mostly to Russia. Large areas of eastern Ukraine have been devastated, and the close linkages between the Ukrainian and Russian economies have been disrupted. In January 2015 at a quadrilateral conference in Minsk (Belarus) comprising Russia, Germany, France, and Ukraine, a ceasefire was agreed that reduced the level of violence and established a status quo on the battlefield. In March, 2016 the EU agreed to extend the sanctions against Russia for a further six months.

Given Ukraine's position on the east–west fault line the civil war in Ukraine inevitably opened up a dangerous new chapter in relations between Russia and the West. Harsh sanctions imposed by the West in response to Crimea and also Russian support for "separatist" rebels in eastern Ukraine have greatly damaged not only the Russian economy, but also imposed significant costs on many member states of the EU, not least Germany, most of whom are dependent on Russian gas and oil. Chancellor Angela Merkel's support for sanctions over the objections of German export interests and the debate between Atlanticist and pro-Russian forces in German society (Tagesspiegel 2014a, b) with echoes across much of the rest of Europe—suggest that the war in Ukraine has shattered the longstanding consensus on the need for collaborative relations with Russia and attempts to moderate the US's more confrontational policies as occurred, for example, during the Russo-Georgian war of 2008.

Liberal scholarship has tended to view the conflict within the terms of the "transition" narrative adopted by mainstream EU studies and the European

Commission (e.g. Bohle, this volume; Cafruny and Ryner 2009). The progressive eastern enlargements of the EU and resultant adoption of liberal trade and investment policies will promote economic modernization and political democratization. Realist scholarship has not challenged the economic assumptions behind the transition telos, but it has been more sensitive to the geopolitical implications: there is a broad recognition that, for example, Ukraine's signing of the Association Agreement would imperil Ukraine's ties to Russia and thereby constitute a geopolitical threat, not least with respect to Crimea. From the standpoint of critical IPE, neither of these approaches conceptualizes adequately the implications of Ukraine's incorporation into the Western sphere. This becomes evident with a closer analysis of the radical changes that are taking place in Ukraine.

A key aspect of the EU-Ukraine Association Agreement is the "Deep and Comprehensive Free Trade Area" (DCFTA). However, unable to secure sufficient financial support from Brussels to compensate for substantial costs to Ukrainian industry that would have resulted, and under pressure from Russia which imposed trade sanctions and raised prices on Russian natural gas, in November 2013 former President Victor Yanukovych abruptly changed course and declared his intention to join the Russian-led Eurasian Economic Union instead. Following his seizure of power and subsequent election Ukrainian President Petro Poroshenko signed the partnership agreement with the EU. The European Commission proclaimed that the DCFTA would serve to promote economic modernization and thereby increase Ukraine's national income ,whilst adopting EU rules on government contracts and completion would reduce corruption and make the economy more investor-friendly.

Notwithstanding these optimistic predictions, together with International Monetary Fund (IMF) and EU aid packages, the DCFTA represents an extreme version of the first phase of the neoliberal transition model: that of shock therapy. At the outset, it states that the key purpose of the agreement is the removal of all barriers to EU trade and capital, including the privatization of oil and gas pipelines and their sale to foreign investors:

> The DCFTA, linked to the broader process of legislative approximation will contribute to further economic integration with the EU's internal market. This includes the elimination of almost all tariffs and barriers in the area of trade in goods, the provision of services, and the flow of investments (especially in the energy sector).
>
> Once Ukraine has taken over the relevant EU acquis, the EU will grant market access for example in areas such as public procurement or industrial goods. (European Commision 2014, p. 3)

The European Commission claims that once the DCFTA is in force it will allow firms in both the Ukraine and the EU to realize significant cost savings by eliminating tariffs and other barriers. Yet, as Josef Borocz notes (2013), given the massive disparities between Ukraine and even the Central and Eastern Europen enlargement countries virtually all of the savings will accrue to EU operators. The liberalization of investment will have a much greater impact. Here the implications for Ukraine of adopting the *acquis communautaire* are massive: it would pave the way for the penetration of transnational capital into Ukraine, including the strategically important sectors of energy and agriculture. Indeed, one of the first laws passed by the new government was to allow 49% of Ukraine's gas and oil pipelines to be privatized and sold to foreign investors.

Similar developments are occurring in Ukraine's vast agricultural sector. Ukraine is the largest European country by area, the sixth most populous, and it contains one-third of Europe's arable land. Although Ukraine has imposed a moratorium on land purchases, the law has been subverted through widespread leasing arrangements that have allowed Western (and Chinese) agribusiness to enter full force into the sector. For example, Clause 404 of the Association Agreement stipulated promotes "the use of biotechnologies in agriculture" and states that Ukraine must "facilitate conditions of investment" and open Ukraine's agriculture to a "framework of international organizations". (Oakland Institute 2014).

The main reason that President Yanukovych rejected the Association Agreement and turned towards Russia was the failure of the EU to provide significant financial aid to compensate for the loss of trade and financial linkages to Russia as well as the costs of structural adjustment to EU standards and markets. Following the ouster of Yanukovych, Western institutions and the EU recognized that such aid would be required. In July 2015 the IMF and Ukraine agreed on a US$17.5 billion loan restructuring, stipulating that Ukraine's currency should "float more freely", thereby leading to a sharp rise in the cost of imports and inflationary tendencies that were to be combated through reduction of the money supply. As natural gas prices increased, subsidies to households, currently amounting to 7.5% of gross domestic product (GDP), were to be phased out over two years. The IMF agreement also stipulated that Kiev should implement deeper fiscal adjustment, in the form of tax cuts and government spending cuts, including pensions, and revision of the labour code (IMF 2015).

It is also important to note what is lacking in the DCFTA for Ukraine. Whereas membership brought significant compensatory policies in the form of free movement, references to such movement in the case of Ukraine are extremely vague: “The importance of the introduction of a visa-free travel regime for the citizens of Ukraine in due course, provided that the conditions for well-managed and secure mobility are in place is recognized in the Agreement (pp. 1,2)”. The agreement stipulates merely that the EU and Ukraine “commit through the Association Agreement to increase their dialogue and cooperation on migration, asylum and border management”. Finally, the document in 1,500 pages never mentions the possibility of Ukraine’s membership in the EU.

Many observers have asserted that German export interests would serve to limit Berlin’s (and hence the EU’s) support for Washington’s confrontational position, expressed most concretely in sanctions that have done significant harm to both the German and European economy. Indeed, given the importance of these links it is presumed that Germany’s adherence to sanctions and, more generally, its willingness to acquiesce to the USA’s confrontational policies towards Russia, is fragile and greatly dependent on the personal views of Angela Merkel.

To be sure, German-Russian trade linkages have undoubtedly served to moderate policy towards Russia. Germany remains highly dependent on Russian resources. However, since the late 1990s German capital has pursued a strategy of relentless cost-cutting and austerity closely linked to its export as well as foreign direct investment strategy. Crucial stages of the emergent “German-Central Europe Supply Chain” (IMF 2013) have been established or relocated throughout central and eastern Europe, where they obtained privileged status within strategic financial and industrial structures that were denationalized and privatized as a result of shock therapy and, later, the terms of the *acquis communautaire* with the EU thereby enabling the German export model to maintain its global competitiveness (Gross 2013). Successive EU enlargements since 2004 have provided a more secure institutional and legal basis for the establishment of this German-dominated zone. German-Russian relations also began to assume a quasi-colonial division of labour with the partial conversion of Russia into a market for industrial exports and source of raw materials imports resulting from Russia’s own denationalization and deindustrialization during the 1990s.

The absorption of Ukraine into the EU/NATO sphere of influence is thus not simply an US attempt to reinforce a precarious Atlanticism. It is consistent with the shared interests of German and US capital. Ukraine represents not only a geopolitical prize, but also a shattered economy and society in the first phase of denationalization and privatization, a significant export market, and source of cheap and highly skilled labour with vast agricultural and mineral potential. As noted above, the DCFTA that President Petro Poroshenko signed into law on 27 June 2014 imposes an extreme version of shock therapy on Ukraine that corresponds to Germany's vision of the EU and its periphery, as illustrated by the treatment of the EU's southern periphery ever since the inception of the Eurozone crisis.

Transatlantic Trade and Investment Partnership

Since the impasse of the World Trade Organization (WTO) Doha Round, the emerging economies have played a more assertive role in international trade negotiations, epitomized by the eclipse of the G-7 by the G-20, a much larger and more representative group of countries. In large part this has resulted from the US and EU reluctance to abandon agricultural protectionism and the desire of the emerging economies in this context to maintain preferential treatment of industries and services. Indeed, during the last decade the multilateral trading order itself has begun to fragment in favour of bilateralism and preferential trade agreements. After some hesitation, both the USA and the EU have fully embraced this trend (Siles-Brugge 2014). In its 2006 communication entitled "Global Europe: Competing in the World", the European Commission Directorate-General for Trade asserted that whilst multilateral trade liberalization remained the EU's main objective, bilateral agreements should also be sought. This strategy, the precursor in many respects to the TTIP, is notable also for introducing the competitiveness discourse directly into EU trade policy. The communication "explicitly linked Europe's economic well-being to its ability to *compete* in the global economy. In doing so, policymakers were invoking the ideas embodied by the Lisbon Agenda of competitiveness" (Siles-Brugge 2014, p. 3). Thus since the advent of the Doha Round the EU and the USA have signed bilateral agreements with a host of countries. The TTIP would, of course, represent a qualitative leap in bilateralism, not in the sense of a wholesale return to protectionism 1930s-style, but rather of consolidating the authority of a US-led transatlantic condominium over international trade policy.

Since the mid-1990s transnationally oriented capital on both sides of the Atlantic has called for closer economic integration. The Transatlantic Business Dialogue composed of chief executives of major US and European corporations was created in 1995 to advocate removal of remaining trade barriers and harmonization of regulations and in 2007 it called for the establishment of a Euro-Atlantic free trade area. In April 13th 2016 the USA and the European Commission concluded a round of negotiations on the proposed TTIP. This latest round has followed on the heels of the successful conclusion of the

Comprehensive Economic and Free Trade Agreement (CETA) between Canada and the EU which has in important respects served as a template for the TTIP.

Whilst transatlantic integration—the "open door"—has been a persistent aim of policy since the 1950s, the desire on the part of Washington and Brussels for a transatlantic agreement has been given further impetus as a result of two factors: first, the TTIP has important geopolitical implications insofar as closer transatlantic cooperation is viewed as a means of confronting the growing challenges from the BRICS (Brazil, Russia, India, China and South Africa) and, especially, China (Rosecrance 2013; Frolich 2012), envisioned by then-Secretary of State Hillary Clinton as an "economic NATO" (Ignatius 2012). Second, the TTIP also serves as a joint US-European economic strategy to further liberalize labour and product markets, both domestically and throughout the world. From the point of view of US corporations, liberalization would provide opportunities for further penetration of the European market, especially in politically sensitive sectors such as agriculture, services, and public procurement. Finally, it would serve to consolidate transatlantic ties in the defence sector. A similar logic applies to the large European banks and corporations, whose long-range growth strategies remain dependent on the US marketplace.

In important respects the transatlantic space represents by far the most important "region" in the global economy. The USA and Europe account for approximately one-third of global GDP. Foreign Direct Investment (FDI) flows across the Atlantic outpace those to China by a factor of ten. The TTIP would thus constitute the largest bilateral trading pact ever concluded, alongside the US-sponsored Trans-Pacific Partnership (TPP), which would account for a further 30% of global GDP, 70% of global exports, 80% of weapons-related spending and 90% of weapons-related research and development (Hamilton and Quinlan 2013). It would have significant implications for the survival of the WTO and, more generally, the principle of a multilateral trading order. The USA would stand at the centre of two rings, excluding the BRICS, and enabling the USA (with Europe in tow) to set standards for world trade to which BRICS would be compelled to adjust.

Mainstream liberal approaches have emphasized the concepts of comparative advantage and the spillover of economic and political cooperation, thereby viewing the TTIP through the lens of classic post-World War II market-opening trade agreements under the auspices of the General Agreement on Tariffs and Trade (GATT). Yet these approaches overlook qualitative transformations that have taken place in the global trading order and the extent to which the TTIP and associated agreements serve to drive forward neoliberalism and, in the case of the TTIP, the Euro-Atlantic imperium. The methodological approach of mainstream studies of the impact of TTIP bear an uncanny resemblance to those of the single market, which greatly exaggerated the benefits for employment and growth (Boltho and Eichengreen 2008). The two most prominent such studies conducted by the Centre for European Policy Research (2013) and the Bertelsmann Foundation (2013) estimate respectively that a "deep liberalisation" scenario of TTIP would lead to 0.5% (CEPR) or 5.7% (Bertelsmann) additional growth by 2027 along with very modest increases in employment. Bertelsmann predicts a "strong increase in trade flows between Germany and the USA" (pp. 13, 14; Table 1) and also that Germany's trade with many other countries and regions would decline significantly. This is because trade among EU members is barrier-free while US–EU trade is subject to both trade and non-trade barriers. Increased transatlantic integration would significantly raise German exports to Japan and the BRICS because the availability of cheaper intermediate products from the USA would increase the competitiveness of German firms. At the same time, German trade with China would decline by 13% and its imports from the other BRICS would also decline significantly. Finally, trade between the member countries of the southern Eurozone and Germany would decrease substantially, accelerating a process that was set in motion by the crisis; in 2012 Greece ranked 44th among German trading partners, just behind Vietnam. In sum, the TTIP might increase Germany's (and the EU's) dependence on the transatlantic economy while actually having a disintegrative effect on the EU.

Both of these studies employed a general equilibrium model that assumed a new macroeconomic equilibrium would automatically be reached after trade is liberalized, and that more competitive sectors of the economy would absorb all of the resources—including labour—released by the shrinking sectors. Conclusions based on these assumptions need to be treated with great caution. More recently, Jeronim Capaldo (2014) obtained very different results by assuming that employment and growth are demand-driven rather than based on productive efficiency, and by factoring in assumptions about the path of the real economy in different regions; e.g. fiscal austerity. He concluded that the impact of TTIP on Europe would be very negative, including significant reductions in employment, net losses in GDP, loss of labour income, reduction in the labour share of GDP, reduction of government revenue, and greater financial instability (Capaldo 2014, p. 3):

> With export revenues, wage shares, and government revenues decreasing, demand would have to be sustained by profits and investment. But with flagging consumption growth, profits cannot be expected to come from growing sales. A more realistic assumption is that profits and investment (mostly in

financial assets) will be sustained by growing asset prices. The potential for macroeconomic stability of this growth strategy is well known after the recent financial crisis.

The negotiations over the TTIP have been protracted and contentious (Siles-Brugge 2014). Conducted under a shroud of secrecy that has only served to deepen suspicions, they have provoked intense domestic opposition among non-governmental organizations (NGO)s, trade unions, and environmental and other civil society groups on both sides of the Atlantic, but especially in Europe. The key issues of concern include the further liberalization of agriculture, especially with respect to genetically modified organisms; the liberalization of public procurement as a means of privatizing and denationalizing key sectors of the welfare state including social services, health care, and education; "investor-state dispute settlement" (ISDS) clauses that would limit the scope of national laws and courts and thereby greatly enhance corporate power; the deregulation of banking, including trading in derivatives; and also the fall-out from revelations concerning US surveillance, especially in Germany. The EU expects the TTIP to abolish US legal prohibition of oil exports, an issue of considerable importance to Europe in the context of growing conflict with Russia and the desire for energy security. At the same time, however, it seeks to prevent US firms from exploiting shale gas reserves in Europe through the process of hydraulic fracking. Although the "trade triumvirate" (TTIP, TPP, TISA (Trade in Services Agreement)) are commonly referred to as *trade* pacts, the overall impact on trade through the removal or reduction of regulatory and other non-tariff barriers is likely to be relatively modest (although important for given sectors). The average US tariff is 3.5% and the average EU tariff is 5.2%. Unlike traditional trade pacts such as those concluded under the GATT and the North American Free Trade Agreement (NAFTA), the TTIP derives its significance primarily from neoliberal, "behind the border" policies: the removal or reduction of regulatory and other non-tariff barriers, where the effect on economy and society is potentially far-reaching and radical. NGOs and trade unions have challenged key assumptions of corporate- and European Commission-sponsored studies of the impact of TTIP.

It is notable that, compared to previous neoliberal projects such as the Single European Act (SEA) and Economic and Monetary Union (EMU), the TTIP has provoked much greater opposition and in civil society, especially among trade unions, NGOs, and environmental groups. More than two million Europeans have signed an online petition opposing the TTIP. One explanation for this has been the prior use of "Europeanization" as a means of legitimation. Popular opposition to previous neoliberal initiatives such as the single market, various fiscal pacts, and competitiveness agenda in continental Europe, where support for the welfare state was strong, was blunted by appeals to "Europeanization". By contrast, in the UK, charismatic leadership was sufficient to legitimize these policies. In June 2015 at the height of the Greek crisis Chancellor Merkel reaffirmed this battle cry: "If the euro fails, Europe fails" while on the eve of the austerity referendum European Commission President Jean-Claude Juncker urged "…responsible, honorable Greek citizens….must say yes to Europe" (Daley 2015, p. 1). Of course, the TTIP can hardly be viewed as a "European" project; indeed, opposition has taken on a "European" and anti-US dimension.

Conclusion

The bloody civil war in Ukraine may be said to have resulted in "the end of the post-Cold war era" (Trenin 2014). The USA has secured the EU's acquiescence to harsh sanctions against Russia that have resulted in large capital outflows, a sharply declining ruble, and declining growth rates. Having played a key supporting role along with Germany in the uprising during the winter of 2013–4, it has provided arms to the Kiev government, re-opened the question of Ukraine's joining NATO, secured the expulsion of Russia from the G-7, and begun to build up significant military forces and missile systems throughout eastern Europe. All of these steps have intensified conflicts within the Euro-Atlantic space, giving rise to predictions of a "fundamental breach" between the USA and a German-led EU (Wallerstein 2014; see also Kundnani 2011, 2015; Schlapentokh 2014; Szabo 2014a, b).

However, if global power relations are gradually and, perhaps, inexorably shifting from west to east, and the scope of German power has vastly increased, this shift has not coincided with a fundamental challenge to a US-led Atlanticist imperium. Although the interests of German capital vis-à-vis Russia are by no means identical to those of the USA, they are nevertheless complementary. As a "geoeconomic" power Germany does not possess the military strength independently to pursue a "logic of conflict" in a sphere that is contested by Russia. At the same time, German capital ultimately remains highly dependent on North America, the core of the Atlanticist project, and strongly supportive of the USA's grand, tripartite trade project involving the TTP, TISA, and TTIP into which Germany's own strategy of neoliberal export mercantilism is inserted (Cafruny 2015).

The difficult negotiations over the TTIP have also revealed significant and, perhaps, more intractable conflicts in the Euro-Atlantic space. Conceived as a centrepiece of US geopolitical and economic strategy—an "economic NATO" (Ignatius 2012)—the TTIP has been designed as a means of reasserting US power at a time of increasing trade regionalization and bilateralism, indeed, a crucial part of a strategic neoliberal "trade treaty triumvirate" that, in conjunction with the parallel TPP and TISA, would allow the USA to dictate the terms of trade and investment to China, Russia, and other BRICS. Although European capital as a whole, led by the German government, has strongly supported the TTIP, it has provoked massive popular opposition in Europe.

In the longer run, however, the project of TTIP indicates the organic linkages that bind the Euro-Atlantic space that, as with Ukraine, appears to be consolidating and not disintegrating. Deeper transatlantic integration, whether in the shape of a TTIP or more modest institutional forms, would thus appear to represent for Europe the next logical step in a process of neoliberal consolidation that started with the SEA and EMU. It represents a strategy designed to resolve the problems of stagnation through competiveness patterned on the model of German export mercantilism and, more generally, "accumulation through dispossession" (Harvey 2003). The strategy depends on exports into a world market that is slowing down. It serves to export deflation and thereby reproduce the problems and contradictions of this model on a global scale.

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3

Critical Global Political Economy and the Global Organic Crisis

Stephen Gill

This essay outlines a critical perspective on geopolitics and political economy and relates it to a *global* conception of *organic crisis*. It assumes such a perspective is needed to help explain some of the conditions, contradictions and challenges of the emerging world order of the early 21st century. This requires an appraisal of what we can call the contemporary morbid symptoms of world order and identification of some of its key issues, forces and historical structures.

Following Gramsci's analysis of the political situation in the 1930s, when the response to the organic crisis in Italy ultimately took the form of fascism, analyses of organic crisis have focused on structural and political contradictions and crises of representation *within* particular nations, for example the pioneering work of the Birmingham Centre for Contemporary Cultural Studies (in particular the work of Stuart Hall and Paul Gilroy) on Thatcherism and the reconstruction of society and "common sense" in Britain.[1] However, in an era of intensifying global inequalities, social dislocations and enormous

This chapter is based on and significantly expands my "The Geopolitics of Global Organic Crisis". In Greek, translated by Iraklis Oikonomou. *Utopia—Review of Theory and Culture*, No. 111: 25–36 (2015).

[1] See for example, Gilroy et al. 1982; Hall 1996; Hall et al. 2013.

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threats to the integrity of the biosphere, a more global perspective seems fully justified.

This contribution therefore develops a notion of *global organic crisis* that incorporates concepts such as *market civilisation* and *disciplinary neoliberalism* in seeking to understand geopolitical aspects of the global political economy in the 21st century. Such concepts are then used to help connect the organic crisis to the constitution of power and authority in world capitalism and to review of some of the most important issues that concern what is at stake for critical, political economy in an era of global capitalism.

With these issues in mind this contribution is organized into six sections as follows:

1. An outline of the key components of a critical, historical perspective on global political economy, which, I will argue, must be grounded in a comprehensive *problématique* of our times;
2. An ontological sketch of key aspects of the global political economy, for example as associated with the geopolitics of market civilisation and actually existing capitalism;
3. A review of "morbid symptoms" of present-day capitalism and its interface with the people and the ecology of the planet and more broadly the integrity of the biosphere;
4. A conceptualization of key aspects of capitalism today, associated with the growing indebtedness of individuals, communities, firms and jurisdictions and processes of accumulation by dispossession, practices that are legally locked in by *new constitutionalism*;
5. A brief coda to the above, in the form of a critique of green capitalism in relation to more radical and green alternatives with respect to consumption, production and distribution; and
6. A conclusion that rebuts the proposition that the world can return to the "normalcy" of the conditions and practices of the pre-2007/8 meltdown of global capitalism. I see this claim as delusional and perhaps as a signal that dominant political forces intend to deepen tendencies towards realization of a global dystopia of disciplinary neoliberalism, dispossession of livelihoods and the exploitation of people, nature, the planet and the biosphere. The logic of such "normalcy" involves the deepening commodification of bodies, wombs, human tissue, plants, animals, water and food as well as the colonizing practices associated with the capitalization of new but distant frontiers of accumulation associated with inner and outer space.

A Critical Perspective on Global Political Economy

So what precisely is a critical perspective on global political economy?

A short answer is that it is a perspective that puts the questions of power, ethics and justice at the centre of its analysis of the historical structures and relations that constitute and transform world order. It also integrates questions of social justice and sustainable futures into its considerations. Put differently, critical perspectives, grounded in political economy and history, not only pose questions about the potential for the emergence of structural transformations, including possible alternatives to prevailing systems of power, but also advance new concepts in order to forge a new language of politics and transformation.

Critical theory is therefore simultaneously concerned with not only the demystification of power but also the development of alternative frameworks to expand human potentials and possibilities: therefore a critical perspective on the global political economy must go beyond what Marx once called "the ruthless criticism of all that exists".[2] Marx put it this way in 1843:

> Not only has a state of general anarchy set in among the reformers, but everyone will have to admit to himself that he has no exact idea what the future ought to be. On the other hand, it is precisely the advantage of the new trend that we do not dogmatically anticipate the world, but only want to find the new world through criticism of the old one. Hitherto philosophers have had the solution of all riddles lying in their writing-desks, and the stupid, exoteric world had only to open its mouth for the roast pigeons of absolute knowledge to fly into it. Now philosophy has become mundane, and the most striking proof of this is that philosophical consciousness itself has been drawn into the torment of the struggle, not only externally but also internally. But, if constructing the future and settling everything for all times are not our affair, it is all the more clear what we have to accomplish at present: I am referring to *ruthless criticism* of all that exists, ruthless both in the sense of not being afraid of the results it arrives at and in the sense of being just as little afraid of conflict with the powers that be. (Marx 1843: emphasis in the original)

[2] This quotation comes from a letter sent by Marx to Arnold Ruge (1843). His letter concluded:

In short, therefore, we can formulate the trend of our journal as being: self-clarification (critical philosophy) to be gained by the present time of its struggles and desires. This is a work for the world and for us. It can be only the work of united forces. It is a matter of a confession, and nothing more. In order to secure remission of its sins, mankind has only to declare them for what they actually are (Marx 1843).

Indeed Marx, like many other critical theorists—and one could cite a long list of thinkers from Thucydides to Machiavelli, Gramsci to the present—have consistently sought to demystify relations and structures of power and to provide analysis of present and of future potentials premised on a sober and critical realism—a “pessimism of the intelligence” as Gramsci once called it, in analyzing the nature of politics and society and struggles over the making of the future. Gramsci also saw this process as involving new ways of thinking and acting in the world so as to create a new “common sense”: a new philosophy or what I would call a *problématique* appropriate to the conditions of our times and possible collective future(s) (on attempts to develop such a new common sense in the fields of public health and geopolitics see, respectively, Bakker and Gill 2011; Gill 2012b). Critical theorists have therefore often sought to identify and to advance new forms of knowledge as well as innovations in political agency to help reconstitute ways of thinking and acting in society, to promote more legitimate and less violent social and political orders and a flourishing of human potentials and more sustainable forms of livelihood.

In the field of global political economy today this necessarily involves an attempt to understand deep structural crises of capitalism and associated crises of representation, provisioning and livelihood. Indeed, present-day crises of representation that have emerged and are emerging worldwide are associated with prevailing forms of authoritarian and neoliberal governance that have, over the past three decades or so, sought to stabilize and legitimate an unjust set of global social relations and to extend existing unsustainable patterns of consumption and production, including militarization and waste, that seem to be well beyond the carrying capacity of the planet.

A different set of principles seems mandatory if we are to take seriously the multiple threats to the integrity of the planet and its social and life forms (Gill 2015).

Thus issues of the well-being of the planet and its peoples form a key part of what might be called a critical *problématique* for our times. In the present context one of the immediate challenges for critical theory in general (or for what Gramsci called the philosophy of *praxis*) is the need to overcome the eschatology of the end of history, which suggests that no feasible alternatives can be credibly posed to go beyond the variegated and uneven forms of governance and restructuring associated with disciplinary neoliberalism (Brenner et al. 2010). The latter is a perspective that rejects social or collective solutions to problems and promotes a relentless possessive individualism and an ecologically myopic market civilisation. Critical theory therefore mandates our addressing how we should govern responses to the global organic crisis.

The Geopolitics of Market Civilisation

Our point of departure is therefore to analyse the global situation as it actually is.

Here we might begin with a review of a geopolitical context where communism and the lefts have weakened, and partly in consequence during the last 30 years, a remarkable and truly global restructuring of power. It is reflected in a myriad different ways in government, culture and transformations in conditions of existence that reflect, amongst other things extraordinary inequality and accelerating concentrations of capital and wealth in a tiny proportion of the world's population—a global plutocracy supported by a governing class that principally rules on behalf of capital. This is partly reflected in the following graphic (Fig. 3.1).[3]

Today, capital is increasingly concentrated in most of the key sectors in an expanded capitalist world market: e.g. media, computing, energy, pharmaceuticals, autos, finance. Previously state owned or public enterprises are being rapidly privatized, amid a general process of the commodification of public goods, knowledge and public services.

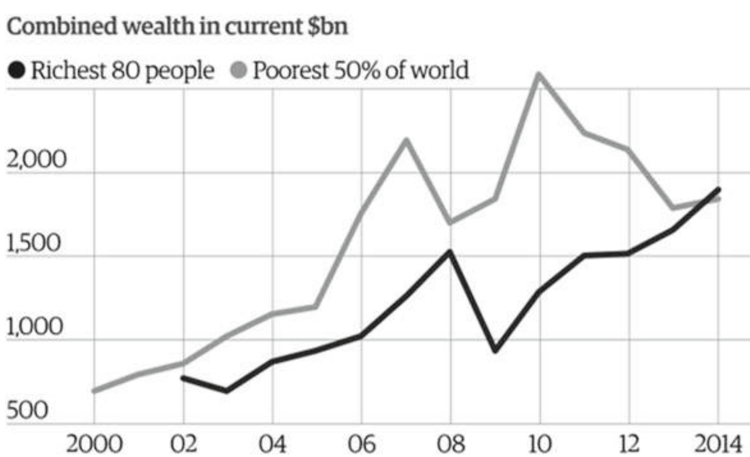

Fig. 3.1 Wealth of the richest 80 people

[3] Retrieved from http://www.theguardian.com/business/2015/jan/19/global-wealth-oxfam-inequality-davos-economic-summit-switzerland. See also Oxfam (2014).

The new capitalist order is structured hierarchically: it is simultaneously class-based, racialized, and gendered. It operates to systematically empower privileged social strata and the affluent, the principal beneficiaries of what I call neoliberal *market civilisation* (Gill 1995, 2008; on its links to fossil fuels and non-renewable forms of energy see also Di Muzio 2011 and 2012). "Market civilisation" is now the dominant model of capitalist development—one that is possessively individualistic, me-oriented, consumerist, exploitative of human beings and nature; it is unequal, energy-intensive, wasteful and ecologically myopic. This pattern of development is, by definition, exclusive and can be only available to a minority of the population of the planet, but one that, nevertheless, is serving to consume the vast bulk of global resources.

None of this means that the market civilisation model and the disciplinary power of capital that governs it primarily through market mechanisms is uncontested; indeed one of the reasons why such power is not hegemonic and subject to resistance and struggle is because of its distributional consequences, which raise fundamental issues of inequality and social justice.

This system of governance that oversees this market-based mode of development, which I call *disciplinary neoliberalism,* is backed by the systematic use of unequal geopolitical arrangements (such as the nuclear non-proliferation treaty). It involves the extended use of surveillance by NASA and its "Five Eyes" partners, and more generally, it relies upon systems of policing/military power and securitization of the state that have proliferated since the attacks on the Pentagon and the World Trade Center on 11 September 2001. Such mechanisms of global policing and capacity for intervention, principally those all dominated by the United States, have outflanked the key geopolitical rival to capitalism, the USSR. The US holds massive military preponderance with many thousands of bases and installations worldwide. In sum, the USA—along with its key allies—uses military and security power as well as extended panoptic mechanisms, to keep friends and enemies alike under a condition of constant surveillance, thereby guarding the citadels of corporate and political power.

These elements all reflect the post 9/11 increasing securitisation of world capitalism under continuing conditions of political and economic emergency.[4]

[4] Also involved in the political frameworks of these geopolitical arrangements are diplomacy, covert intervention and the growth in the criminalisation of dissent. Geopolitical arrangements are often justified by the expediency of forms of law that are applied in arbitrary ways. Geopolitical practice is typically hypocritical (e.g. NATO backing for the most corrupt regime in Europe in Ukraine in order to countervail Russian power). Its practices are frequently antithetical to any concept of the rule of law that requires all people(s) be treated equally, fairly, with due process and impartiality.

Some of the key issues associated with this situation have worsened since the global crash of 2007–8. Yet by 2006 the leading organ of capitalism, the *Financial Times,* asked how, without reading Marx's *Capital*, could one possibly explain how the world's richest 2% of people now owned more than 50% of the world's global assets.[5] By contrast, perhaps 90% of the world proletariat are "unprotected" or precarious workers, who are non-unionized and deemed to be disposable by the employers, and a full 70% of them have no social protection (ILO 2015). They are often landless workers and peasants who are marginalized from integration into world capitalism but still subjected to many of its forces and pressures, insofar as they are dispossessed of their basic means of livelihood and forced to migrate to the urban centres of the Third World, usually to live in slums, searching for work in entirely unregulated labour markets (Gill 2012a, Desmarais 2002, Sassen 2014).

With such observations in context, this essay assumes that the present crisis is very deep and it involves much more than a crisis of capitalist accumulation or a necessary self-correction aided by macroeconomic intervention and bailouts. To capture the scale and depth of this crisis, this essay therefore reformulates and extends Gramsci's original concept of organic crisis.

Many Morbid Symptoms

I will suggest that any resolution of the global organic crisis requires a revitalization of democracy and much wider mobilization of progressive social forces to press for measures that are sustainable and that are not one-sidedly implemented on behalf of capital and the principal imperial powers. Indeed it might be argued that the present conjuncture corresponds, in part, to the Chinese character for crisis, a character that combines moments of danger and opportunity. It is linked to the fact that the current global political situation is pregnant with the following paradox as formulated by Gramsci in the 1930s (1971, p. 276): "The crisis consists precisely in the fact that the old is dying and the new cannot be born; in this interregnum a great variety of morbid symptoms appear".

In this period of morbid symptoms, therefore, the central hypothesis of this essay is that the future of the world involves a multiplicity of intersecting and interrelated crises, each of which presents moments of danger and opportunity for different political forces, although these limits and possibilities are

[5] *Financial Times*, 28 December 2006, p. 13.

structured by the relations of force—economic, political and military—that operate in and across jurisdictions and regions.

When Gramsci reflected on developments in the 1930s he saw organic crisis as involving a *crisis of representation* and decay in prevailing forms of ideology and political organization—this was reflected in not only the eclipse of the old order in Russia but also in the collapse of liberalism and the rise of fascism.

In the early 21st century there is also a crisis of representation although it is structured in different ways. Certainly recent substantial evidence in much of the world indicates that mainstream political parties (such as Christian and Social Democrats, Conservatives and Liberals in Europe) associated with varying degrees of support for disciplinary neoliberal capitalist governance have rapidly lost members and political support (Gill and Solty 2013). At the same time there has been a growth in support for alternatives, many on the right, for example in Europe, where in some countries, fascism and Nazism is on the rise; in others a new left seems to be emerging, for example in Greece and Spain. It seems that once again there is an *impasse* for the old frameworks of politics and a search for new directions. In this context our local and global political predicaments go well beyond questions of capital accumulation and pose fundamental and global questions concerning ethics, politics and governance in the making of our collective future.

Nonetheless we should not underestimate the robustness of geopolitical and legal strategies to contain challenges to the status quo, for example those, as noted, that are associated with intensification of state surveillance and the criminalization of dissent. Indeed, in addition, what is also frequently overlooked is institutionalization of measures to prevent democratic governance of key elements of the global political economy. A good example of the latter is *new constitutionalism* (discussed in more detail below in relation to central banking (Gill 1998a, Gill 1998b).

New constitutionalism encompasses a myriad web of bilateral, regional and multilateral trade and investment agreements, as well as balanced-budget laws and other mechanisms that embody a most peculiar version of the rule of law: one that guarantees overriding status to private property rights, including full entry and exit options for capital ("free trade") and full security of ownership for capital whilst simultaneously preventing democratic control over the political economy. The attempts by the major capitalist powers, especially over the past 30 years, to consistently apply new constitutional measures to guarantee the liberalization of trade and investment (e.g. the World Trade Organization (WTO) and North American Free Trade Agreement (NAFTA) stand in contrast to the world geopolitical arrangements, which have a decidedly arbitrary quality that operates well beyond any coherent or consistent conception of the rule of law (Gill and Cutler 2014).[6]

In this broader context we note that many morbid symptoms are experienced unequally in the global North and the global South, although some of the conditions in both regions seem to be converging with the effects of debt imperialism, dispossession, authoritarianism, dictatorship, and foreign intervention—underlining the vast disparities in life chances within and across classes and nations. We live in a world characterized by the ever greater exploitation of human beings and nature by capital, whose power, as noted above, is increasingly concentrated in fewer giant monopolies or oligopolies, for example much of the media where a type of neoliberal newspeak, providing the official versions of the truth, prevails.

Nevertheless, contestation is emerging over questions of lifestyle and sustainability, and deadlocks over climate change and food and health security are linked to political struggles over corporate domination and private control of world agriculture, life sciences, medicine, and pharmaceutical industries.

The world food crisis involves global patterns of malnutrition and health: 25% of the world is obese or overweight; 25% is starving (Albritton 2009); indeed 1 in 7 people on the planet go hungry in the face of plenty. In a market system prices and incomes determine if one eats or starves or has medical care: if you have no income you cannot be a consumer or a buyer of medical services or drugs, that is such goods and services are bought in the market. Indeed, capital (including that developed by the pharmaceutical corporations and other enterprises associated with private provision of drugs and health sciences, as well as insurance) is not focused upon the promotion of global health but on the accumulation of capital via the profit system. Capital will profit from obesity as well as from hunger.

Similarly, food prices are increasingly determined through a global market-based system relying on the control of agriculture by a relatively small number of giant corporate oligopolies. This system is driven by the accumulation of capital via profits; indeed, since the start of the 21st century much of that profit has been associated with global futures trading linked to speculation by banks and other investors flocking to seek profits from buying and selling land and agricultural commodities. The obverse of such trends is a secular reduction of self-sufficiency and greater destruction of local systems of livelihood. Corporate controlled agrarian systems have tended to increase use of non-renewable sources of energy and chemical fertilizers as well as the world's

[6] On this latter point, see the essays on the crisis of global governance in Gill (2015), particularly those by critical international lawyers, Upendra Baxi and Richard Falk.

freshwater supplies. This fossil-fuel intensive and export-orientation of agriculture is driving crop monocultures and massive damage to biodiversity whilst contributing substantially to global warming.

Debt, Accumulation by Dispossession and New Constitutionalism

Accelerated privatization of water, land, natural resources, and public goods such as education and health systems is occurring at the very moment when broad swathes of public opinion support social protection and universal access to public education and health care (Gill and Bakker 2006). The struggles over the global organic crisis are exacerbated by these "new enclosures" which involve the expropriation of the "social commons" (on the question of enclosure see De Angelis 2004).

Such dispossession is paralleled by the wholesale defunding of the development potentials of many of the countries in the world as they struggle to pay their accumulated debts, typically to the very foreign bankers who have made reckless, highly leveraged investments that have been bailed out by governments.

Third World indebtedness—and increasingly that of the metropolitan heartlands of capitalism—constitutes a means of expropriation or "accumulation by dispossession" akin to what Marx—in *Capital*—characterized as primitive accumulation through colonization. It has been estimated that many of the poorest countries pay up to 20% of their annual fiscal revenues in foreign debt servicing, often in repayment of debts whose principal has already been repaid several times over, even though the original loans may have been used to fill the coffers of dictators and potentates—now in offshore bank accounts. These "public" debt obligations are overseen by combinations of private banks and public institutions such as the World Bank along with the governments of wealthier countries, for example the so-called "Troika" (the International Monetary Fund (IMF), the European Commission (EC) and the European Central Bank (ECB)) in the European Union. The trillions of dollars paid by the global South for the debt servicing since at least the early 1980s has come at the expense of cuts in social programs, which particularly affect women and children, especially with respect to education and health care, although recent policies of the World Bank have attempted to mitigate some of these effects in the global South.

Put differently, recurring financial and debt crises, with their devastating social and economic effects, are not new in the global South, even though, up until recently, they have been largely avoided in much of the North. After 2010, financial and debt crises migrated to Europe and to other heartlands of global capitalism—to be followed by a politics of austerity and with it, a further expropriation of the social commons.

Such globalizing contradictions have important gender and racial dimensions. A majority of the world's work, including caring work, is done by women and a majority of the world's poor are women in the global South.[7]

Nevertheless, the forces of disciplinary neoliberalism have so far retained the upper hand in defining the responses to the organic crisis—the various lefts of the world have appeared relatively weak or internationally isolated, with a number of notable exceptions such as in Latin America. This seemed to be the case when Syriza was elected in January 2015 on a radical anti-austerity platform in Greece to be encircled by opposition from all other Eurozone members who stood in line behind Germany's form of neoliberalism. What was remarkable in this situation was the virtually unwavering solidarity of the leaders of the other members of the Eurozone in refusing to allow Greece to deviate from the strict policies of austerity and privatization mandated as a quid pro quo for receiving further sovereign loans and bailouts. Indeed after Syriza once again took the issue of austerity to the ballot box in the form of a referendum in mid-2015, a referendum that resulted in a rejection of the bailout conditions, the disciplinarians of the Eurozone, along with the IMF, insisted on conditions and measures that were even more draconian than before. The Greek parliament eventually voted to accept the new measures, despite the fact that they involve no commitment to either write off or reduce the sovereign debts of the Greek government, and despite the fact that most economists, including those of the IMF, believe them to be unrepayable. These developments split Syriza and Prime Minister Tsipras resigned. At the time of writing the final version of this contribution (24 August 2015) it has looked as if Greece would call another general election in an attempt to resolve its political—if not its economic future—under rapidly deteriorating material conditions, which were developing amid a devastating humanitarian crisis for the Mediterranean countries caused by enormous numbers of refugees taking their lives into their hands in perilous crossings of the Mediterranean Sea as they attempted to flee the conflict zones of North Africa and the Middle East—particularly Syria.

If we step back from the immediacy of events in Greece and the Mediterranean to reflect upon key elements in the restructuring of global

[7] The UN Population Fund has stated that the single biggest cause of global health inequalities—as well as the principal cause of death for women—is childbirth.

politics which have occurred in the past 30 years we should highlight how political contestation and indeed representative democracy—for example over key aspects of the economy—is contained by institutional and legal arrangements. For example in the tortuous 2015 negotiations over the Greek situation, the German Minister of Finance argued throughout that it was illegal and against the very constitutional arrangements agreed to by all Eurozone states, for Greek debts to be written off, and as such measures which virtually any credible economist would see as necessary for Greek economic growth to resume, were categorically ruled out. The idea of constitutional constraints on the limits of the possible politically, limiting the measures that can be taken to govern the economy, reflects a centrepiece of neoliberal (and in the German case ordoliberal) governance. I call such arrangements the "new constitutionalism", and they form the legal counterpart to the strict neoliberal economic orthodoxy that has tended to prevail in the European crisis.

Put at its simplest, therefore, new constitutionalism involves legal and constitutional mechanisms intended to insulate the commanding heights of economic policy from democratic control or scrutiny and in so doing, place it in the hands of capital, and primarily the sets of financial interests that have become dominant in global capitalism. A quintessential example is the ECB, one of many "independent" central banks that have mushroomed in the neoliberal era since the early 1980s. Whilst central banks are independent of governments, their boards of governors are largely drawn from the ranks of private financial interests (not from trade unions or from the ranks of progressive political economists).

Indeed, this independence gave central banks substantial latitude to act as a lender of last resort and thus to massively bail out banking interests as well as other corporations following the crash of 2008. Central banks have been the principal drivers in the issuance of massive and rising sovereign debts since the 2008 crash, debts that have now been estimated to have risen by US$57 trillion (government debts have increased by US$25 trillion) over the last seven years, to stand at US$199 trillion or 286% of gross domestic product (GDP).[8]

Huge political battles over future fiscal stringencies to pay for these debts can therefore be anticipated over the coming years. Global indebtedness on this scale clearly tilts the balance of power in the global political economy into the hands of creditors and bondholders.

[8] Robert Peston, "Global Debts Rise $57 Trillion since Crash". *BBC News Business*, 4 February 2015. These sums are based on a survey by McKinsey and Co. See: http://bbctakeaway.herokuapp.com/news/business-31136707

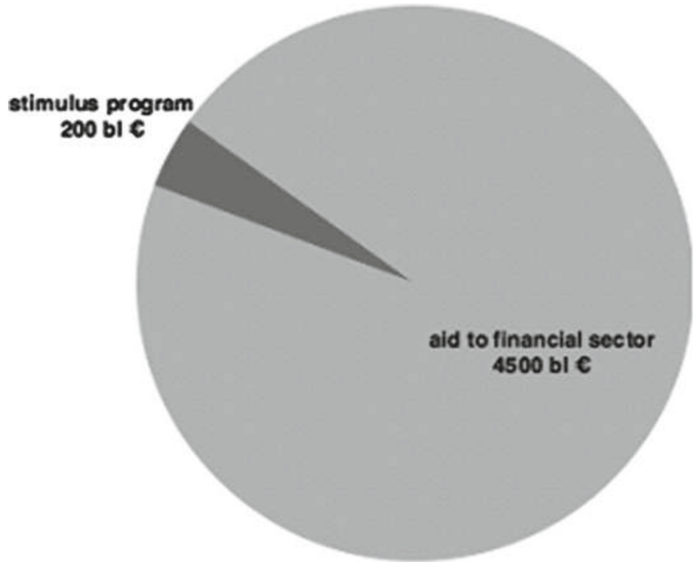

Fig. 3.2 European stimulus measures compared to aid to EU financial sector, 2008–2015 (Source: Oxfam, A cautionary tale. Briefing Paper No.174 (2013), p. 7:See http://www.oxfam.org/sites/www.oxfam.org/files/bp174-cautionary-tale-austerity-inequality-europe-120913-en_1.pdf)

Much of the monetary expansion has enriched super wealthy plutocrats in the context of rapidly accelerating global inequality to levels that were last seen in the 1920s. Normally the class-based nature of central banking and monetary policy is rarely debated in mainstream media and political discourse, but it was demystified recently by one of its primary beneficiaries, wealthy financier George Soros, in a speech at the 2015 World Economic Forum in Davos, Switzerland. Soros warned that the planned Eurozone stimulus measures under the aegis of the ECB, to inject (in effect to create) EUR1.1 trillion into the Eurozone economy (i.e. make cheap money available to private banks) in the form of "quantitative easing", would "increase inequality between rich and poor both in regards of the countries and people". Soros pointed out that "excessive reliance on monetary policy tends to enrich the owners of property and at the same time will not relieve the downward pressure on wages".[9]

To make this point about monetary policy under new constitutionalism and class politics clearer, the following chart shows the European Economic Recovery (designed to invest in job creation measures) plan had a mere

[9] Joe Miller, "Eurozone stimulus 'reinforces inequality', warns Soros". *BBC News Business*, 22 January 2015. http://www.bbc.com/news/business-30943216

US$200 billion in bailout allocations after 2008 (1.5% of the EU's GDP). This contrasts with the huge EUR4.5 trillion in bailout aid transferred to the European financial sector (37% of total EU GDP)—and again, this was prior to any additional funds that might come in 2015 from "quantitative easing". Such a massive socialization of the losses and debts of the private financial sector represents arguably the largest transfer of funds from citizens to private creditors and financial interests in the history of the continent (Fig. 3.2).[10]

As I predicted when drafting this contribution in March 2015, and despite claims, frequently repeated in the media, that the ECB is "independent" of political influence or geopolitical inclinations, the new left-wing Syriza government in Greece elected in January 2015 was not able to take advantage of the benefactions of the ECB since the latter refused to lend to Greek banks against the security of Greek government bonds, a measure that did not apply to any other Eurozone members. Indeed this measure, in conjunction with the outcome of the Greek referendum that rejected the Troika proposals, helped to precipitate the banking crisis in Greece, as capital controls were installed to prevent a complete collapse of the major Greek banks in July and August 2015.

As I put it in the first draft of this essay on 17 April 2015, the ECB was threatening Greece with a massive credit crunch at precisely the moment it sought a breathing space to renegotiate its debts. As was noted by the BBC Economics Correspondent earlier when this denial of credit by the ECB began: "The ECB will be seen in Greece to have punished the Greek people for daring to vote for an alternative to Eurozone economic orthodoxy".[11]

Coda: Green Capitalism Versus Green Alternatives

Turning now to the relationship between capital and the environment, and the proposals for "green capitalism" that were widely discussed prior to the financial meltdown of 2008, these should be judged in terms of whether they address not only specific ecological challenges, but also the general crisis of social reproduction and livelihood that compounds the ecological problem.

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[10] I thank Michele Benericetti for researching these numbers and for making the chart. The data is from: Oxfam, *A cautionary tale*. Briefing Paper No.174 (2013), p. 7: See http://www.oxfam.org/sites/www.oxfam.org/files/bp174-cautionary-tale-austerity-inequality-europe-120913-en_1.pdf

[11] Robert Peston, "Why has the ECB punished Greece?" *BBC News Business,* 5 February 2015. See: http://www.bbc.com/news/business-31148199

Indeed there is some substantial thinking on the left along these lines to develop a European Green Alternative but as yet there is insufficient political support for such measures in the EU.

This of course is not to argue that capital should not be constrained from reckless exploitation of global resources and forced to use energy more efficiently. However, green capitalism is unlikely to deliver this outcome since it is entirely compatible with the prevailing forms of consumerist growth associated with market civilisation, even if such consumption might be reconciled with lower levels of fossil fuels' use, lower amounts of chemical fertilizers, and the introduction of more renewable sources of energy. It can also go with land grabs, (including massive recent purchases of land by oligarchs, celebrities and politicians seeking remote bolt-holes in case of political threats) as well as wider use of genetically modified seeds and new technologies of control over life forms, for example bigger feedlots and expanded use of hormones to feed meat-based diets. More fundamentally, green capitalism is still characterized by the contradiction between private accumulation and enclosure of the social commons versus social needs.

Furthermore, following the adoption of the Kyoto Protocol in 1997, there has been acceleration in the commodification of the atmosphere via the "new carbon economy" in which actors can buy and sell carbon credits or carbon offsets in capitalist markets, forming one of the new frontiers of commodification which characterizes the development of market civilisation (Gill and Cutler 2014).

Moreover, the question of intellectual property rights is at the heart of the impasse between the global North and the global South in the climate change negotiations. The same applies to agricultural technologies, including private control over seeds. Private corporations want rents for their technologies which poorer farmers and poorer countries can ill afford to pay. Green capitalism will therefore do very little to address the intensification of economic and social insecurity of a majority of people throughout the globe.

In my opinion Alternative Left arguments that address this question should be based on the view that technologies to ameliorate environmental problems should be global public goods—not mechanisms of control by corporations, codified as they currently are by intellectual property rights in national legislation in the bigger nations (e.g. USA and EU) and in the new constitutionalist organizations such as the WTO which has gained jurisdiction over intellectual property rights, redefining them as tradable commodities.

"The Return to Normalcy" Versus the Making of the Future

What will this all mean politically in the affluent countries? In most of the North Atlantic countries about 70% of workers are in services, many in public services now threatened with further privatization. Moreover, in northern regions of Western Europe (and especially in Germany where governmental crisis management has kept unemployment surprisingly low despite the export-oriented growth model), many remain sympathetic to the argument that G20 leaders can resolve the crisis and return to "normalcy". Indeed many "protected" workers in unions are shielded from some of the worst effects of the crisis (i.e. partly as a result of Keynesian automatic stabilizers such as unemployment insurance), whereas insecurity is increasing for the vast majority of workers worldwide.

Nevertheless, the idea of an early return to "normalcy" would seem delusional in light of the global economic situation—and the fiscal situation of many countries—that continues to be far worse than political leaders dare admit. Moreover the "normalcy" of the past few decades meant not only a deep crisis of social reproduction but also relentless environmental destruction, ever increasing and obscene levels of inequality, and not least, global economic stagnation with much of the world, for example Japan and Europe, facing deflation; in Europe mass unemployment, especially for young people, is reminiscent in scale to the 1930s (Gill 2012a).[12]

The question of "normalcy" is therefore a global question. We can expect global political conflict to begin to increase; the question is how to channel this for progressive ends.

In my view, therefore, the principal challenge for the progressive political forces and political economists in the coming decade is mobilizing forces and arguments—as well as policies and governance proposals—to create a new "common sense" and forms of international cooperation and mobilization that can address the global organic crisis. In so doing diverse progressive forces will produce a collective political will to help to foster new forms of political agency, involving both men and women in the North and the South: what I have called a new, diverse, and creative *post-modern prince*.[13] So far however in Europe, particularly in light of the development in Greece under Syriza, the

[12] This is despite rapid growth in countries such China and India, involving the intensification of consumerism.

[13] See Gill 2008 and 2012b. The concept invokes Machiavelli's *The Prince* and Gramsci's *The Modern Prince*.

signs of transnational solidarity amongst left forces have been relatively weak, even in the face of mass unemployment, an assault on the European social model and deepening ecological and humanitarian crisis. This lack of solidarity is also being compounded by the expansion of the EU into a much more complex and diverse jurisdictional entity.

More globally, immediate challenges for progressive policies include continuing policy responses to the costs of gigantic bailouts, which, as noted, run into the many trillions of dollars, as well as mechanisms to socialize risks and to protect and extend the human rights of the population, and especially vulnerable groups. As I observed earlier (Gill 2010) neoliberal governments, assuming they are able to hold onto power, will continue to download the burden of payment on the backs of ordinary people in the form of wage cuts, reductions in social benefits and health expenditures, privatization of education, in an attempt to continue fiscal and social austerity—the very types of ongoing surplus extraction that have characterized Third World development for much of the past three decades. Indeed, despite the recent recovery in stock market prices in many countries, unemployment is still high and rising, particularly amongst the young (although it is very unevenly distributed across countries), world hunger is growing, and serious social dislocations have already emerged worldwide as a result of cuts in public provisions, health care, and wages.

In this conjuncture, some elements of the progressive lefts have begun to argue more systematically that economic emergency measures should and could have been targeted in ways that would have been less costly and more socially efficient, for example strengthening public goods for the social, health, and educational commons, and promoting democratic control over the commanding heights of the economy so that they are also made less risky and more stable—something partly reflected in recent regional initiatives.[14] Concrete steps in that direction that many, including myself, have advocated, would be to systematically introduce and enforce much more progressive and fair taxation (e.g. particularly for the top 20% of wealthy people), enforce a major crackdown on tax evasion and the regulation of offshore centres (both of which would alleviate fiscal problems), and the promotion of tax regimes and pricing strategies designed to channel production towards more socially

[14] The financial crisis may be stimulating some decentralisation of the financial architecture with many new initiatives, for example the Latin American Reserve Fund (FLAR), a regional reserve pooling arrangement with a capitalisation of just over US$2.3 billion that largely lends to members' central banks; and the BRICS' (Brazil, Russia, India, China, South Africa) commitment to the creation of a new development bank with a capitalisation of US$100 billion, to finance joint development ventures and bypass the World Bank and the IMF. I thank Isabella Bakker for highlighting this point.

and ecologically useful ends. A progressive strategy would also be international, involving strategies for global redistribution with a qualitative component (e.g. to provide the means to healthier food and improvements in medical care globally) as well as have a humanitarian component.

I would argue, therefore, that the central contradiction of global capitalism is not that between capital and democracy as such—the concentration of capital allows for socialisation of the means of production, or at least their "commanding heights", and thus a solution to this problem, including issues related to the issuance of money and its regulation by more socially accountable central banking practices. The main contradiction we face is deeper and much broader and it is dramatized by a global struggle of power and resistance, and one that is not simply over the terms of fiscal austerity. It concerns the degree to which a continuation of neoliberal globalization will intensify what feminists have called a crisis of social reproduction (Bakker and Gill 2003) and with it, a restructuring of our basic social institutions for health, care, welfare and livelihood—all issues that have fundamental implications for the question of democracy and the human rights understood not only in the narrow sense of political rights but also in the sense of rights to reasonable food, shelter, amnesty and freedom from threats of material deprivation and violence.

These challenges may seem intractable, however they reflect a global conjuncture which in many respects—particularly given the development of scientific and technological capabilities and growing worldwide prosperity for many—is more promising than that which followed the end of World War II, the most lethal war in history and post-war settlements that required massive reconstruction and development from the ashes of destruction.

Nonetheless, critical political economy consistently needs to analyse the world order as it is, not only in terms of what it may promise but also in terms of its violence. Indeed, when considering the nature and future trajectory of world order and the forms of power and rule that go with it, we should remember that these are contested, transient and governed by forms of mutability that are not all progressive nor inevitable: we should remember Marx's maxim that human beings make their own history but not necessarily under conditions of their own choosing. This leads us to believe that the global organic crisis and its associated stalemate over basic conditions of existence and the future of the planet cannot last indefinitely.

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4

Marxism: and the Very Idea of Critical Political Economy

Alex Callinicos

A Critique of Political Economy

Locating Marxism within the spectrum of critical approaches to international political economy (IPE) invites us to reflect on the very idea of critical political economy. Marx could claim copyright on it, since he named his intellectual project the critique of political economy from the mid-1840s onwards.[1] The object of this critique is dual: at once the concepts and theories of especially those whom Marx describes as the classical political economists (above all, Adam Smith and David Ricardo) and the capitalist mode of production that these categories simultaneously reveal and conceal. Marx takes the notion of critique itself from the classical idealist tradition in German philosophy. Here the relevant figure is less G.W.F. Hegel (deconstructing whose political thought represented the starting point of Marx's trajectory towards materialism and communism) than Immanuel Kant. Kant sought precisely to develop a critical philosophy—hence the titles of his three major works—the *Critique of Pure Reason*, *Critique of Practical Reason*, and *Critique of Judgement*. Kant understood critique not so much as the demolition of an opponent's position, the exposure of falsehoods and fallacies, than as the establishing of limits.

[1] Although strictly speaking Friedrich Engels might claim priority, since his 1844 essay "Outlines of the Critique of Political Economy" preceded both the formation of his lifelong partnership with Marx and the writings in which the latter began his own engagement with political economy.

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Thus the mistake of metaphysics, Kant argued, was to try to arrive at truths by reason alone, going beyond the boundaries of sense experience.

To a large extent what Marx does is to identify the limits of both political economy and capitalism. Accordingly, he argues the most important error committed by the classical economists was to naturalize capitalist economic relations, presenting them not as features of a historically specific and transitory social system but consequences of human nature:

> Economists have a singular method of procedure. There are only two kinds of institutions for them, artificial and natural. The institutions of feudalism are artificial institutions, those of the bourgeoisie are natural institutions … When the economists say that present-day relations—the relations of bourgeois production—are natural, they imply that these are the relations in which wealth is created and productive forces developed in conformity with the laws of nature. These relations therefore are themselves natural laws independent of the influence of time. They are eternal laws which must always govern society. Thus, there has been history, but there is no longer any. (Marx 1976a, p. 174)

For Marx, "[t]he *true barrier* to capitalist production is *capital itself*" (Marx 1981, p. 378). Capitalist economic relations promote the expansion of human productive powers in order to increase profits. But this goal—the valorization (or self-expansion) of capital—comes into conflict with the means, technical innovations that increase productivity and output. The result (as we shall see more fully below) is the tendency of the rate of profit to fall that, Marx believes, underlies the recurrent economic crises punctuating the history of capitalism. Capital is thus what he sometimes calls a "living contradiction", constituted through the conflict between its drive to expand the productive forces and the social relations of production that are the source of this drive.[2]

We can then begin to see why Marx sees himself as pursuing the critique of political economy rather than merely offering another approach to political economy. He distinguishes classical political economy, that is, "all the economists who, since the time of W. Petty, have investigated the real internal framework of bourgeois relations of production", from vulgar political economy, by which he means the ancestors of the modern neoclassical orthodoxy (Marx 1976b, pp.174–5, n 34). But all the political economists, vulgar and classical alike, are guilty of naturalising capitalism, of treating it as defining the boundaries of what is economically possible. They all accordingly lack the concept of the relations of production. This concept is one of Marx's main

[2] Two good introductions to *Capital* are Choonara 2009, and Fine and Saad-Filho 2010. Among more in-depth studies David Harvey's are a good place to start: Harvey 1982, 2010a, 2013.

innovations. By the relations of production he means the historically varying relations of effective control over the productive forces—that is, over the elements of production, human labour power and the material means of production. It is the nature of the prevailing relations of production that determines the overall character of a given society:

> The specific form in which unpaid surplus labour is pumped out of the direct producers determines the relationship of domination and servitude, as this grows directly out of production itself and reacts back on it in turn as a determinant … It is in each case the direct relationship of the owners of the conditions of production—a relationship whose particular form naturally corresponds to a certain level of development of the type and manner of labour, and hence to its social productive power—in which we find the innermost secret, the hidden basis of the entire social structure, and hence also the political form of the relationship of sovereignty and dependence in short, the specific form of the state in each case. (Marx 1981, p. 927)

This passage is an epitome of Marx's theory of history (see the classic analysis in Cohen 1978). The relations of production determine whether or not a society is divided into classes; class relations are themselves a consequence of relations of exploitation. Capitalism illustrates the connection: here the worker, unlike a slave or a serf, controls his or her labour power; but she or he lacks direct access to the means of production (land, tools, raw materials, and the like). This compels workers to sell their labour power in exchange for a wage to capitalists whose access to money allows them to control the means of production. The inequality of the bargaining parties leads to the workers accepting terms that imply their exploitation—that is, they work under the control of capital, not just to reproduce themselves and their dependents, but to perform surplus labour whose product is appropriated by the capitalists in the shape of surplus value or profits. As we have already seen, the search for profits leads capital to increase the "social productive power" of labour, but also drives it towards economic crises. The particular form taken by exploitation in turn determines the character of the state prevailing in the society in question—though we should note that Marx posits an interaction between the sphere of production and the state where the latter "reacts back on it in turn".

The concept of capitalist relations of production is at the heart of Marx's critique of political economy. Long before the appearance of what is now called cultural political economy, Marx criticizes political economy for its abstract individualism. The idea of natural man is only conceivable "[i]n this society of free competition, [where] the individual appears detached from the natural bonds etc which in earlier historical periods make him the accessory of a definite and limited human conglomerate" (Marx 1973, p. 83). "Production by an isolated individual outside society", Marx continues, "… is as much of an absurdity as is the development of language without individuals living *together* and talking to each other" (Marx 1973, p. 84). Similarly, the idea of differentiating between historically specific types of economic institution was a commonplace of his contemporaries in the German Historical School of political economy, who used this insight to justify state intervention to protect infant industries from British competition. Marx's critique of political economy cuts much deeper. He uses the concept of the relations of production to identify the constitutive features of capitalism as an economic system. Different institutional nexuses—what these days are called "varieties of capitalism"—may realize the same relations of production. But the target of Marx's critique is the system itself, not merely one or other of its variants.[3] This highlights a further dimension of this critique: although articulated theoretically, it has a practical objective in mind—helping the exploited under capitalism to constitute themselves into a revolutionary political subject. Hence Antonio Gramsci's re-baptism of Marxism as the philosophy of praxis. Marx's critique of political economy is through-and-through political.

Geopolitics and Global Capitalism

What bearing, then, does Marx's critique of political economy have on IPE as a distinct intellectual tradition? The answer is a complicated one, for two main reasons. First, the first volume of *Capital* appeared in 1867, about a hundred years before IPE started to take shape in the Anglo-US academy. Marx's achievement—particularly after the second and third volumes were published posthumously by Engels in 1885 and 1894, respectively—stimulated efforts to continue and develop it that have carried on to the present day. The result is a rich and diverse body of work characterized principally by two particular preoccupations—coming up with a theoretically coherent and defensible account of what Marxists tend to call the laws of motion of the capitalist economic system and establishing empirically how these laws of motion manifest themselves in particular societies and phases of capitalist development. Contributors have, on the whole, not followed Marx in distancing themselves from the entire corpus of political economy; they have

[3] Thus see the little-noticed passage where Marx criticises the Historical School for differentiating between natural, money, and credit economies and in the process losing sight of the constitutive relationship between capital and wage labour: Marx 1981, pp. 195–6.

instead tended to see themselves as developing a specifically Marxist political economy—an enterprise that has had to make its way independently of economics as an academic profession as the latter has retreated into formal model-building that generally leaves unchallenged the conception of a market economy tending towards an optimal equilibrium.[4]

Secondly, the development of IPE in the 1960s and 1970s was of course partly prompted by dissatisfaction with mainstream economics and more particularly with its inability to throw much light on the growing instability of the world economy in this period. Benjamin Cohen in the discipline's standard history writes: "IPE at its most fundamental … is about the complex interrelationship of economic and political activity at the level of international affairs" (Cohen 2008, p. 16). This is an eminently Marxian subject. Marx's concept of the relations of production implies a (re)politicization of economic relations: the economy is not the realm where techniques and tastes interact to produce an optimal outcome, but a domain of antagonism, domination, and conflict. At a more complex analytical level, Marx famously argues that "[t]he totality of these relations of production constitutes the economic structure of society, the real foundation, on which arises a legal and political superstructure and to which correspond definite forms of social consciousness" (Marx 1971, p. 20). Hence conventional political institutions and struggles are to be understood in terms of the conflicts developing within and between the forces and relations of production. This conception of politics informs Marx's studies (in both *Capital* and the preceding notebooks and manuscripts) of the development of global capitalism, where, as Lucia Pradella puts it, "he continuously attempted to understand the relationship between inter-class and inter-state antagonisms" (Pradella 2015, p. 169).

This relationship is one of the main preoccupations of Marxist IPE more strictly defined, but, after Marx, it became a major theme of the Marxist theory of imperialism, developed chiefly by Rudolph Hilferding, Rosa Luxemburg, Karl Kautsky, V.I. Lenin, Nikolai Bukharin, and Henryk Grossman in the early decades of the 20th century. This sought to explain the growing geopolitical rivalries among the Great Powers that precipitated the First World War by relating them to the particular form of capitalist development that had come to prevail in the generation after Marx's death in 1883 (Callinicos 2009, ch. 1; Day and Gaido 2011). Like all forms of Marxist intellectual enquiry, further study of the relationship between capitalism and geopolitics languished during Stalin's heyday (1923–53). But one sign of the renewal of Marxism in the 1960s and 1970s was a very lively series of exchanges primarily in the pages

[4] Howard and King 1989, 1992, and Milonakis and Fine 2009.

of *New Left Review* over whether contemporary capitalism was leading to the transcendence of national rivalries, the domination of US capitalism, or the renewal of the kind of inter-imperialist competition characteristic of the era of "classical imperialism" (1870–1945).[5]

This controversy anticipated more recent debates among Marxists; but it also overlapped with issues—particularly those focusing on the nature and future of US hegemony—in contention within mainstream IPE at the time. But, on the whole, the Marxist discussion was little noticed by IPE scholars.[6] Marxism often figures in presentations of the different intellectual traditions in IPE, but is rarely treated as a real interlocutor. Even the more critical strand stimulated by the work of Robert Cox developed at some distance from Marx. Cox and those influenced by him have sought to translate Gramsci's theory of hegemony from the national to the international level to develop suggestive analyses of transnational class relations and ideologico-political power structures. But, as Lorenzo Fusaro has concluded on the basis of a close reading of the *Prison Notebooks*,

> Paradoxical as this may be, it seems that Gramsci's take on international relations, to a great extent, cannot be counted amongst Neo-Gramscian analyses. … : (i) … Gramsci works with different conceptions of hegemony when dealing with the national and the international; (ii) In Gramsci's characterisation of hegemony at the international level, economic power is not a sufficient condition by itself. Hegemony must be realised as politico-military power; (iii) Gramsci seems to downplay the role of ideas and ideology in the exercise of hegemony at the international level and focuses more on "hard power". (Fusaro 2013, p. 89)

Gramsci, moreover, develops a version of Marxist political economy (which, interestingly, he calls "critical economy") that was unusual for his time in the stress it laid on the tendency of the rate of profit to fall. Economic crises are understood as the outcome of an interplay between this tendency and the counter-tendencies discussed in *Capital*, Volume III, that offset the fall in the rate of profit. Gramsci particularly stresses the role of technological innovations that raise the rate of exploitation by reducing the share of wages in the new value created by workers.[7] This is a remarkably "contemporary" interpretation

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5 See the texts collected in Radice 1975.

6 For exceptions, see Keohane 1984, pp. 41–6, and Gilpin and Gilpin 1987, ch. 2.

7 See especially Gramsci 1975, II, p. 1279, and 1995, pp. 429–30, and, more generally Krätke and Thomas 2011. Important contemporary Marxist rereadings of Gramsci include Morton 2007, and Thomas 2009.

of Marx's theory of the falling rate of profit.[8] It serves to underline, not merely that, as Fusaro points out, Gramsci was not a Neo-Gramscian in the style of Cox, but that a key area where Marxism has something distinctive to say in the domain of IPE lies in its understanding of economic crises, as we shall see in more depth in the next section.

A specifically Marxist IPE crystallized in the past 20 years around the question of the significance of globalization for the international state system (Rupert and Smith 2002; Anievas 2010). Marxists have often been sceptical about the discourse of globalization, which proliferated so profusely in the 1990s (Rosenberg 2000). The object of Marx's critique of political economy is capitalism as a global economic system (Pradella 2015). So the phenomenon of greater global economic integration did not exactly come as a surprise to Marxists. But the globalization debate undoubtedly reframed the discussion in what proved to be a productive way. Some Marxists—most notably Michael Hardt and Toni Negri in their famous book *Empire*—take a position similar to the "hyperglobalizers" who initially made the running in the mainstream: the nation state, they argue, is being rendered obsolete as transnational networks of economic and political power develop, a process that does not represent the end of exploitation and domination but the formation of a new kind of sovereignty, empire (Hardt and Negri 2000, 2004, 2009). Hardt and Negri had to deal with the counter-example posed by the "war on terrorism" launched after 9/11 by the administration of George W. Bush; their argument that this very robust assertion of national power represented a throwback to the past has not won widespread support. More broadly, most Marxists were unwilling to accept that the nation state as a political form is simply obsolete.

Hardt and Negri, nevertheless, powerfully articulated a sense that transformations in capitalism required an intellectual renewal of Marxism. The form most relevant to IPE that this took was a return to state theory. There were wide-ranging debates during the 1960s and 1970s about how to understand the relationship between the state and capital (Callinicos 2013). But one lacuna, as a participant at the time pointed out, was that these controversies tended to focus on *the* state as a singular phenomenon, when states exist as a plurality forming a system whose structure and logic has been treated as constitutive of the international in mainstream approaches such as realism (Barker 1978). In the changed environment of the 2000s, however, the nature of the international became a major theme of Marxist debates. One important study argues that the famous Westphalian system was a pre-modern political structure formed in the era of absolutism that the emerging capitalist system

[8] Compare Fine and Harris 1979, ch. 4.

inherited and reshaped but could (in principle at least) shed as a result of its contemporary transformations (Teschke 2003). From an alternative perspective, the process of uneven and combined development inherent in capitalism constantly throws up new geographical configurations of economic power, thereby helping to preserve a plurality of states (Callinicos 2007).

But these more theoretical and historical arguments did not settle the question of the contemporary form taken by these configurations. One particularly powerful answer to this question by Leo Panitch and Sam Gindin drew on a major contribution to Marxist state theory in the 1960s and 1970s, the work of Nicos Poulantzas (especially Poulantzas 1975, 1978). Far from globalization fatally undermining the state, Panitch and Gindin contend, it is to a large extent the work of one particular state, the USA. They trace the efforts of key US institutions (notably the Treasury and the Federal Reserve Board) since the Second World War to reconstitute the world economy in forms that have facilitated the predominance of US capitalism. The ability of the USA to orchestrate the global capitalism that it has played a decisive role in making is sustained by, among other things, the success of US capital in penetrating the bourgeoisies of the other leading states, which rules out the possibility of a return to the inter-imperialist rivalries of the pre-war era (Panitch and Gindin 2012).

Even those unconvinced by this conclusion have had to acknowledge that the central place occupied by the USA since 1945 is a major difference with the era of classical imperialism, when Britain, for all its territorial spread and industrial and financial muscle, did not remotely match the relative economic and military power that the USA continues to enjoy even now. Theories of what David Harvey has called the "new imperialism" have accordingly avoided simply reaffirming the classical theorizations of Luxemburg or Lenin (Harvey 2003). Analytically they have been distinguished by, first, a stronger emphasis on capitalist crisis that draws on the theoretical work discussed below; secondly, they have sought to avoid a reductive treatment of the state, conceptualizing capitalist imperialism as (in my own formulation) the intersection of economic and geopolitical competition (Callinicos 2009).

Substantively, theorists of the "new imperialism" have argued that in an economic context dominated by endemic problems of over-accumulation, US capitalism has struggled to contain the consequences of a global redistribution of economic power especially towards East Asia. The management system anatomized by Panitch and Gindin has proved sufficient to keep the European Union and Japan subordinated to Washington, but China remains firmly outside the US-orchestrated nexus of alliances. The 2003 invasion of Iraq represented a flight forward, in which the Bush administration sought to use what seemed like an overwhelming military advantage to entrench US domination of the Middle East, main source of oil supply to the capitalisms of Europe and Asia. The failure of this adventure, followed closely by an economic and financial crisis that began in the USA, has accelerated the process of relative US decline, while the comparative ease with which China emerged from the 2008–9 slump has encouraged the reorientation of many economies towards supplying raw materials and complex manufactures to the Chinese market; at the same time, Beijing has been emboldened by these developments to become much more assertive in its own region, pursuing numerous territorial disputes with its neighbours and building up the military capabilities to deny the US Navy access to the coasts of Asia. The geopolitical challenges facing the USA are indeed multiplying as opponents sense weakness—witness in 2014 the Russian intervention in Ukraine and the advance of the armed jihadis of ISIS in Iraq and Syria.

These developments are, of course, the bread and butter of mainstream approaches in IPE and international relations, especially realism. What, then, is distinctive to a Marxist perspective on such matters? The answer lies in the concept of the relations of production—and, more specifically, capitalist relations of production—with which we began. This involves, as I have already noted, a constitutive relationship between economics and politics, which form a unitary field defined by antagonism. To put it another way, the state has the form it does because inherent in capitalist economic relations are the exploitation of wage labour and the competitive struggle among capitals. Poulantzas partially expresses this when he defines the state as "the *specific material condensation* of a relationship of forces among classes and class fractions" (1978, p. 129). But the field of forces in which states are constituted involves not merely class antagonisms but also the transnational rivalries of capitals. This means that the space in which states operate is not the smooth surface of market transactions modelled by neoclassical economists. It is rather jagged and clumpy, because it is formed by the crystallization of geographically concentrated clusters of investment and production that act as privileged sites for mobilizing labour for the world market (Storper and Walker 1989; Ashman 2006). In recent years Marxists have devoted much attention to the phenomenon of uneven and combined development, by which they mean this tendency for capital accumulation to be regionally concentrated, but in the context of a capitalist world economy where the pressures of both economic and inter-state competition are transmitted transnationally (Smith 2010; Dunn and Radice 2006; Anievas 2010, esp. Part II; Rosenberg 2009, 2010). In the background to all these enquiries lies Harvey's immense effort to rethink Marxism as "historical-geographical materialism", exploring capitalism as a system in flight from its contradictions, seeking "spatial fixes" through the formation of new centres of accumulation (Harvey 1982).

This means that states in the Marxist conception are far from simply being (in Hobbes's famous metaphor) the garrisoned fortresses facing outwards towards one another that they are assumed to be in realism. For they are traversed and destructured by antagonisms that may become all-consuming domestic preoccupations at moments of social and political crisis but that also spill laterally across state borders. Indeed, any hard opposition between internal and external affairs may be hard to sustain. Thus the latest phase of the "war on terrorism" involves wars spreading from states that have been shattered by Western invasion and the revolutionary process that began in Tunisia and Egypt in 2011 to mobilize disaffected Muslim minorities in the European metropoles. Similarly, economic crises are not only destructive visitations on some unfortunate society, but (on any of the rival Marxist accounts) the result of contradictions immanent to the capitalist mode of production whose resolution typically involves an escalation of class struggle. The weakening of the organized workers' movement in the neoliberal era should not be allowed to obscure the fact that class struggle continues, albeit in a peculiarly asymmetric form. The austerity drive that followed the relative stabilization of the world economy after the Great Recession of 2008–9 is a good example, in that it amounted to the effort to shift the costs of recovery onto working people and the poor.

Understanding Crises

Marxist IPE is thus distinctive in thematizing economic crisis. To the extent that IPE remains tributary to neoclassical orthodoxy crises are an economic mystery, usually the product of political misalignments that prevent markets from working properly or of external "shocks" that force a process of adjustment until a new equilibrium is established. More critical post-Keynesian economists accept that crises are endemic to capitalism, but they follow Maynard Keynes himself and Hyman Minsky in locating their source in financial markets. Minsky argues that investors are liable in the course of the business cycle to shift to increasingly risky forms of finance, moving through hedge finance (profits are sufficient to pay down debts) and speculative finance (rolling over debts) to culminate in "Ponzi finance", where new debts are incurred to pay the interest on old ones:

> in a world of uncertainty, given capital assets with a long gestation period, and the sophisticated financial practices of Wall Street, the successful functioning of an economy within an initially robust financial structure will lead to a structure that becomes more fragile as time elapses. Endogenous forces make a situation dominated by hedge finance unstable, and endogenous disequilibrating forces will become greater as the weight of speculative and Ponzi finance increases. (Minsky 2008, pp. 237–8)

The spectacular excesses of Wall Street and the City of London in the lead-up to the great crash of 2008 certainly lend weight to the post-Keynesian claim that financial markets tend to destabilize themselves. Marxists also see capitalism as inherently liable to crises, but they identify the problem as, not simply finance, but the entire capitalist system of production. Marx himself initially planned to complete his critique of political economy with a volume on "the world market and crises". The book was never written, but elements of a theory of capitalist crisis can be found in *Capital* and the economic manuscripts preceding it.[9]

Marx puts forward a multi-dimensional account. Here I will merely highlight three levels of his argument. First, he argues that the possibility of crises is inherent in the very relation of commodity exchange that is a fundamental presupposition of capitalist economic relations. What he calls the simple circulation of commodities—C-M-C—involves the owner of a commodity (C) exchanging it for money (M) that she uses to buy another commodity. But Marx pointed out (anticipating Keynes's theory of liquidity preference) that the process might stop at M: the commodity owner might for some reason decide to hoard the money rather than spend it. Aggregated together, such decisions can lead to insufficient effective demand to purchase all the commodities that have been produced. Marx points out how the flight to cash as the only secure store of value was a feature of the financial crises of his day (as they were of the 2008 crash).

But Marx stresses that this analysis merely identifies a formal possibility. The actuality of crises requires us to move to a second level. Marx famously defines the formula for capital as M-C-M′: money is invested in the production of commodities whose value is greater than the sum originally advanced, allowing the capitalist (when all goes well) to receive a larger amount of money than his initial capital. Capital is thus self-expanding value. We have already seen how Marx explains where the surplus value (the difference between M′ and

[9] For two different takes, see Clarke 1994, and Callinicos 2014, ch. 6.

M) comes from: workers who have nothing to sell but their own labour power create more value through their labour than they receive for the wages offered in exchange for this labour power. But—crucially—most of this surplus value is not consumed by the capitalist but reinvested—accumulated—in expanded and more efficient production. The impulse for this process of accumulation comes from the competitive pressure that capitals (the individual units of the system) place on each other: firms that do not invest in cost-reducing innovations will find themselves undercut by rivals who do. Capitalism is thus constituted by two fundamental antagonisms, the exploitation of wage labour by capital and the competitive struggle between "many capitals".

Marx thinks that very nature of capitalist accumulation drives the system towards crises, since, pressed on by this blind process of competition, production tends to outstrip consumption. But he also offers a more specific explanation: the process of competitive accumulation leads to investment in means of production growing more rapidly than the workforce. But since, according to the labour theory of value that Marx inherited from Ricardo, it is only labour that creates new value, the result will be a falling rate of profit: the total value invested by capitalists is growing faster than the source of new value. Once the rate of profit falls sufficiently low, firms will stop investing and the economy will contract.

We have already seen that Marx's conclusion is that there is only a *tendency* for the rate of profit to fall: the very process that pushes down the rate of profit also generates counteracting effects that help to push it back up. A falling rate of profit means that the amount of capital is rising compared to the mass of surplus value extracted from workers. Logically this can be reversed either by shrinking capital or expanding surplus value. The latter route can involve paying workers less or making them work longer hours: Marx calls this increasing absolute surplus value. Gramsci emphasizes more expanding relative surplus value: higher productivity that reduces the share of new value taken by wages. Capital can be shrunk either by producing new means of production more cheaply or by writing off part of the value of existing means of production. Marx also calls this latter method the destruction of capital. He owes his formulation to the British Banking School of political economists (for example, Thomas Tooke and John Fullarton). Challenging Ricardian orthodoxy (which denied that general economic crises were possible), they identified a cycle in financial markets in which bubbles are characterized by a plethora of capital and are followed by panics where capital is destroyed through bankruptcies and the like, helping to purge an excess of capital liable to produce speculation and overinvestment.

Marx adopts a version of this argument, but integrates it into his theory of the tendency of the rate of profit to fall. Thus general economic crises have a monetary phase characterized by a breakdown of the credit system (typically caused by disruption of the chains of bills of exchange through which much trade and investment was financed before 1914). But the resulting panics are functional to the capitalist accumulation process, since the destruction of capital they effect contributes to restoring the rate of profit to the level where investment will be resumed. Similarly the easy credit available as financial markets move into bubble territory permits capital accumulation to expand more quickly than otherwise would be the case.

This, then, is the third level of Marx's conception of capitalist crises: the role played in them what he calls the credit system, but what we would now call financial markets. This in no sense exhausts his discussion of money and finance, which is extensive. It embraces a theory of commodity money, in which gold takes on the function of universal equivalent, providing the medium in which the value of all other commodities can be expressed; a critique of the quantity theory of money (in Marx's time as in our own, one of the main pillars of economy orthodoxy); an analysis of money capital, which is formed from money generated by the accumulation process but for one reason or another not immediately invested, and which, when loaned to active industrial or commercial capitalists, claims a share of the surplus value created in production in the form of interest; and both in the fairly chaotic Part 5 of *Capital*, Volume III, devoted to interest-bearing capital and in various unpublished notebooks, extensive empirical material on the development and resolution of financial panics.[10]

Jan Toporowski has described Marx's as a "reflective" theory of finance that treats what happens in financial markets as determined by developments in the "real" economy. He reserves the accolade of a "critical theory of finance" to those that see the financial markets as the main source of capitalist instability (Toporowski 2005). This seems to privilege Toporowski's own favoured post-Keynesian paradigm. In any case, while Marx seeks to integrate the workings of financial markets into broader mechanisms of capital accumulation and crisis and is attentive to how the movements of money and "real" capital are interrelated, he is perfectly clear that financial markets have their own distinct dynamic that generates instability independently of whatever is happening to the broader accumulation process. So he would be comfortable with the affirmation that Toporowski makes definitive of "criti-

[10] Studies of Marx on money and finance include Itoh and Lapavitsas 1999, Moseley 2005, Harvey 2013, chs. 5–7, and Pradella 2015, chs. 4 and 5.

cal finance" that "finance may systematically disturb the functioning of the modern capitalist economy and aggravate fluctuations in the real economy" (Toporowski 2005, p. 3).

It is nevertheless true that the contemporary role of finance divides Marxist political economists. The financial crash of 2008 and the subsequent economic slump brought the issue into focus. Plainly here was a crisis that started in the financial markets but then spread to encompass the "real" economy. But did the origins of this crisis also lie in the financial markets? One way of thinking about this is to consider the phenomenon of financialization, to understanding which Marxists have made an important contribution. Some argue that it represents a transformation of capitalism: establishing the dominance of finance was decisive in overcoming the economic crisis of the 1970s. The development of the recent crisis has therefore to be understood as a consequence of dysfunctions that have developed at the level of finance itself, and not of more "fundamental" tendencies at the level of production (Duménil and Lévy 2011; Panitch and Gindin 2012; Lapavitsas 2013).

Others, while not necessarily denying that the financial markets have their own distinct destabilizing logic, argue that their greater prominence is a symptom of a deeper crisis of profitability that developed during the 1960s and that, despite the rise in the rate of exploitation engineered during the heyday of neoliberalism in the 1980s and 1990s, has never been fully overcome (Brenner 2002, 2006; Harman 2009; Callinicos 2010; Carchedi 2011, 2014; Kliman 2011; Roberts 2013). The material produced by both sides of the argument is rich and illuminating. The resolution of the debate has, of course, ultimately to depend on how well the competing theories can stand up to the empirical evidence. But both approaches can draw support from aspects of Marx's own investigations of crises; this same is also true of the most distinguished contemporary Marxist student of capitalism, David Harvey, who develops the first level of Marx's conception of crises, identifying multiple points in the circuits of capital that each contains the possibility of breakdown (Harvey 2010b). This increasingly voluminous though discordant body of research demonstrates the vitality of contemporary Marxist political economy.

Crises are marked by an intensification of social antagonism as classes contend over the distribution of the cost. Marx of course never finished *Capital*, but he told Engels it would end with "the *class struggle*, as the conclusion in which the movement and disintegration of the whole shit resolves itself" (Marx and Engels 1988, p. 25). Marx was notoriously wary about associating his critique of political economy with anything that smacks of norms and rights. Nevertheless, by making exploitation the main antagonism constitutive of capitalism he highlighted that this critique involves more than an intellectual difference with the dominant paradigm. To read capitalism through the lens of exploitation is to take up an ethico-political and also a practical stance. *Capital* is written from the perspective of a revolution in which the oppressed and exploitation will free themselves from the yoke of capital. The political project that this involves has suffered many vicissitudes both in Marx's time and since. Nevertheless, his remains a critique like no other, one that seeks the revolutionary destruction of the object criticized.

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5

Neo-Gramscians and IPE: A Socio-Economic Understanding of Transnationalism, Hegemony and Civil Society

Leila Simona Talani

Neo-Gramscianism as a Distinct Critical IPE Approach

Although, as underlined in the introduction, the traditional IPE (international political economy) trichotomy between realism, neoliberalism and Marxism is a long-standing one, only recently the field of critical IPE has enjoyed a flourishing of different approaches and the attention of a broader audience. In recent years, more and more scholars, not necessarily attached to the Marxist tradition, have sought to analyse the global political economy using the conceptual, analytical and theoretical tools provided by critical approaches to IPE.

If this is obviously a welcome development, it may, nevertheless, engender some confusion about what precisely is a critical IPE approach and what are the distinctive traits of each one of them. This is even more the case for neo-Gramscian approaches which are often wrongly conflated either with neocontructivist ones, or with Marxist ones but sometimes even with Susan Strange's eclectic approach to IPE.

Generally speaking, critical approaches to IPE differ from mainstream ones on methodological, epistemological and substantive grounds.

First of all, in substantive terms, critical theorists focus not only on formal institutions such as nation states or international organizations, but also on firms, socio-economic interest groups, NGOs, political parties, ideological paradigms or public opinion.

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From an epistemological point of view, some critical analysts, particularly neoconstructivists and neo-Gramscians, seek to overcome the positivist distinction between the subject and the object of analysis, rejecting the notion of the objectivity of the social reality and therefore recognizing the possibility for it to be modified by the subjective evaluations of the scholar. In practical terms this means that critical theorists prefer contextual social or historical explanations to causal ones. They prefer to "reconstruct" the social reality under scrutiny (hence the use of the term "constructivism") within a particular social, historical or ideological context. Social reality is not a *datum* (something which is given), it is a *factum* (something which has been "constructed").

Hence critical theorists reject methodological individualism based on the rational actor model and focus more on the analysis of the situation in which a particular event takes place. Of course, each different critical approach would reconstruct the situation on the basis of different philosophical premises and different assumptions about which are the most important explanatory variables.

Finally, some critical theories such as neoconstructivism or Susan Strange's eclectic approach stress the role of explanatory variables other than material interests, as ideas or shared beliefs, to explain why certain social events took place, in this differing dramatically from Marxist and neo-Gramscian approaches.

But to what extent can we claim that these approaches can be conceptualized as genuinely political economy ones?

In reality, the eclectic approach devised by Susan Strange to analyse the IPE is hardly a theory of political economy as it simply provides a macro analytical framework within which to contextually address the political and economic dimensions of international events. It is also helpful in identifying the domestic sources of social change by pointing to the role played by a wealth of national actors, from single individuals to political parties and public opinion, as well as transnational actors (particularly multinational firms), although the role played by each actor is not specified in any systematic way.

The neoconstructivist approach, on the other hand, does clearly identify the nature of the interrelations between the domestic and the supranational levels of analysis and provides for precise hypotheses on their possible outcomes (Börzel and Risse 2000; Risse et al. 2001). However, the emphasis on the primary role of ideas and shared beliefs to explain policymakers' decisions, and the related neglect of the distinction between low and high politics in the process of integration, is indicative of a tendency to sideline the economic dimension in favour of a more ideological/institutional one. It is true that in some cases the ideological paradigm invoked to explain decision making at the supranational level is an economic one (MacNamara 1998), but in many other cases the notions invoked are related to, say, national identity or to political ideology (Risse 1998). Therefore, the economic dimension is not always central in neoconstructivist reconstructions of international events, rendering it sometimes difficult to define them as political economy theories.

This is clearly not the case with both Marxist and neo-Gramscian approaches to IPE, for the primacy attributed by them to the relations of production as the sources of the social relations shaping both the political and the ideological superstructures. Moreover, in the analysis of many neo-Gramscian and neo-Marxist scholars (although not all of them) the dichotomy between the national and the international level of analysis is overcome by making reference to the notion of transnationality. Actors and, in particular, social groupings arising from the underlying relations of production, are transnational, that is both national and international, and act in both arenas to further their economic interests.

However, if neo-Gramscians are certainly Marxists, and share with them the stress on historical materialism, and, sometimes, on transnationalism, what differentiates these two approaches from each other is the essential Gramscian dimension of neo-Gramscian approaches rooted in Gramsci's sociology of power (Gill 2003; Van Apeldoorn et al. 2003; Augelli and Murphy 1993).

Historical Materialism and Transnationalism

To start with, the historical materialist approach consists of:

1. A materialist conception of history. This means a conception of history in which the material forces of production as well as the relations of production represent the determinants of social action and change.
2. A rejection of the separation between the subject and object and its substitution with a dialectical understanding of reality as a dynamic totality.
3. A rejection of the rational actor model and its substitution with the so called "method of abstraction" consisting in the reconstruction of the social phenomenon under analysis within its historical and social context (Van Apeldoorn et al. 2003:33).

International events, as any other social reality, are therefore interpreted by both neo-Marxists and neo-Gramscians in the light of historically defined power relations stemming from the structure of production.[1]

[1] See Cox, Robert W. (1987), *Production, Power and World Order* (New York: Columbia University Press); Rupert, Mark (1995), *Producing Hegemony* (Cambridge: Cambridge University Press); Pijl, Kees van der

From these perspectives, reality cannot be understood in abstract terms by making reference to universal rules, but only through an intellectual effort to "reconstruct" the situation as historically determined and as produced by the constant movement of antagonistic social forces (Van Apeldoorn et al. 2003:34).

Some versions of historical materialism portray social relations as being constituted at the transnational level, that is in a context which transcends national boundaries. Social relations, particularly class relations, are not therefore formed and held neither "outside" national boundaries (i.e. in the "international" arena) nor inside them (i.e. in the "domestic" arena) but they do exist at the same time at both levels. This enables those scholars to overcome the dichotomy between national and international levels of analysis (Van Apeldoorn et al. 2003:36).

For some neo-Gramscian scholars, a similar dialectical understanding of the interplay between "internal" and "external" factors is considered essential to make sense of the true nature of the global system (Van Apeldoorn et al. 2003:36). Indeed, neo-Gramscian approaches to globalization are usually defined as transnationalist ones. For example, James Mittleman (2000, 2004:6), famously dubbed globalization a "syndrome" of ontologically related phenomena that acquire meaning by their coexistence in a given historical moment and by the relation that they bear with each other (similarly also Dicken 2007:8). These phenomena originate from the impact of technological progress on the financial and productive sphere. This gives rise to a new Global Division of Labour at the origins of new transnationalist capitalist and working classes.

To start with, technological progress is at the root of the extraordinary developments of financial markets that often go under the name of financial globalization, defined by transnationalists as around-the-clock, 24 hours a day and seven days a week, access to financial transactions all over the globe (Cohen 1996:269; Strange 1996). Paradoxically, however, the physical location of financial markets, instead of losing significance, becomes even more important. Indeed, the literature underlines how financial globalization "made geography more, not less, important" (Dicken 2003:59, similarly Coleman 1996:7). Not only did financial power not change location, but it became surprisingly even more concentrated in a handful of urban centres, such as London, New York and, to a lesser extent, Tokyo. This concentration

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(1984) *The Making of an Atlantic Ruling Class* (London: Verso); Gill, S.R., (1991), "Gramsci, historical materialism and international political economy", in Murphy C.N., and Tooze, *R.,* (eds) (1991), *The new international political economy,* Boulder: Lynne Rienner Publishers pp. 34–51; Gill, S.R. and Law, D., (1988), *The global political economy: perspectives, problems and policies*, (Brighton: Wheatsheaf).

is unparalleled in any other industries, despite the fact that financial markets are usually considered as extremely mobile (Dicken 2003: 462).

Furthermore, the role of domestic financial elites in financial globalization has been enhanced, thanks to the fact that globalization increases their bargaining power (almost blackmailing) within the national polity and vis-à-vis the national government. This leads to a shift in the power relations between the different domestic socio-economic groups that cannot be underestimated. Similar dynamics do not concern only the developed world, but also underdeveloped countries where the establishment of offshore markets has produced incredible transformations of the local economic structures and dramatically modified domestic power relations (Lilley 2000). Not that the definition of offshore refers only to the geographical location of financial activities; instead it mostly regards their juridical status. Indeed, a great number of offshore financial activities take place in the most established financial centres such as London, New York and Tokyo (Palan 2003:2).

From this globalization of financial markets there has also come an increase in the sensitivity of capital to interest rates, reducing, in the long run, the possibilities for nation states to adopt differentiated monetary and, consequently, macroeconomic policies. This decreases the state's capacity to control the national economy (Padoa-Schioppa 1994; Cohen 1996; Obstfeld and Taylor 2004).

The roots of the crisis of authority experienced by nation states both in the developed and in the less developed world can be found in these phenomena. The limitations posed by globalization on the effectiveness of national macroeconomic policy action are indeed very significant and can lead to serious unrest. Contrary to institutionalists, in the minds of transnationalists the loss of the national level of economic governance is not compensated by the creation of multilayered systems of economic governance spanning from the local to the supranational level, if not partially and only in certain regions of the world, such as, most evidently, the European Union. In this way, the crisis of authority and legitimacy of the nation state induced by the loss of economic sovereignty within globalization is recognized by neo-Gramscians as one of the most dangerous developments of this phase of capitalist development (Overbeek 1999, 2000; Van der Pijl 2011).

Technological progress is also the driving force behind the process of the global restructuring of production and its related geographical reallocation. This happens through foreign direct investment (FDIs), mergers and acquisitions (M&As), and the creation of export processing zones (EPZs). Indeed, technological development greatly improves the ability of transnational corporations to modify their productive chains to exploit geographically displaced cost reduction opportunities thanks to cheap transport, distant labour control or economies of scale in specific locations. Here, again, the capacity of the nation state to resist similar developments is greatly undermined by the increased bargaining power of transnational companies.

However this process is not happening evenly throughout the globe. On the contrary, one of the main characteristics of this global restructuring of production is the importance of regionalization in the global political economy (Mittelman 2000:41; Dicken 2007:33). Here regionalization is singled out as a step towards globalization. There is not however a single pattern of regionalization; not all regions are being integrated into the global political economy, and this gives rise to instances of geographical marginalization (Mittelman 2000:56; Dicken 2007).

Other Marxist scholars do not rely necessarily on a transnationalist understanding of the global political economy. For example Callinicos interprets the whole process of European integration in the light of the competition between advanced capitalist states, both within the European context and globally. Based on Harman's original contribution,[2] Callinicos argues that while capitalism had overcome national boundaries, no single European state, not even Germany, France or the UK, could yet compete at the global level. The creation of the European Economic Community (EEC) allowed national capitalisms to thrive at the regional level without needing to face global competitive threats. However, this entailed a number of contradictions between nation states and multinational capital, which was still mainly rooted in the national context. These contradictions have not yet been confronted through the establishment of truly supranational European institutions, and as a result the crisis of the European project is looming.[3]

Regardless of the debate about transnationalism, however, the most important distinguishing characteristic of the neo-Gramscian critical approach to IPE is its reliance on Gramsci's sociology of power.

The Essential Gramscian Dimension

Gramsci's sociology of power is based on Macchiavelli's distinction between rule by "force" and rule through "consensus" (Augelli and Murphy 1993:128; Gill 2003:51). In Gramsci this distinction characterizes two ideal-type aspects

[2] See Harman, C., (1971) "The Common Market", *International Socialism* (old series) 49 (1971); See also Harman, C., (1991), "The State and Capitalism Today", *International Socialism* 51.

[3] *See Callinicos in this volume and Callinicos A., (1997), "Europe: The Mounting Crisis",* International Socialism *75(2)*.

of supremacy: on the one hand, if supremacy is exercised without the conscious consent of the ruled, it becomes "domination"; on the other hand, when supremacy is characterized by "intellectual and moral leadership" (Gramsci 1971:57), it is "ethical hegemony". In reality, there is not a complete overlap between the Machiavellian distinction and the Gramscian one as, although "consensus" always characterises hegemony, rule by force is not ontologically the same as domination. Moreover, when consensus is obtained through fraud and deception, hegemony is not "ethical", and indeed is not hegemony at all; on the contrary it is considered a form of domination (Augelli and Murphy 1993:128). Finally, Gramsci notes that, in the real world, power is often exercised using a mixture between force and consensus, which makes it very difficult to distinguish between domination and hegemony (Gramsci 1971:57).

The realms where power is consolidated through force and/or consent are the three levels of society: the structural one, that is, "economic structure", and the two superstructural levels, "civil society", represented by private sector social actors and "political society", the state with its institutional and public actors (Augelli and Murphy 1993:128).

A Socio-Economic Definition of Civil Society as Opposed to Social Capital

In a Gramscian conceptualization (Gramsci 1971:12), civil society is one of the three realms where power is consolidated through force and/or consensus. Thus, civil society is the level connecting the economic structure with the institutional level. According to Gramsci the role of civil society is to transform the corporate interests of economic groups, which derive from their position in the mode of production, into political demands through the identification of a suitable ideological framework. It is in the realm of civil society that economic groups form intermediate social associations, held together by an ideological framework which shapes their identity. This occurs thanks to the role played by organic intellectuals in helping the process of ideology and identity formation (Gramsci 1971:12). In this way, civil society is the primary political realm, where political ideas are formed and the demands of groups to the political system are defined. It is also the realm in which economic groups gain consciousness of their interests and aspirations and first engage in political action. Finally, it is in the context of civil society that groups form alliances with other contiguous groups with the aim of gaining hegemonic power by transforming their personal or corporate interests into universal ones (Augelli and Murphy 1993:129).

It is worth noting that, although Gramsci underlines the importance of ideology and shared identity to cement socio-economic alliances and, eventually, gain ethical hegemony, these are not formed in a vacuum or through the becoming of ideas, but always stem from the position of these groups in the relations of production. In that Gramsci is subscribing to a materialist conception of history and because of that Gramscians cannot be confused in any possible way with neoconstructivists.

From this perspective, political society, understood as the ensemble of political institutions, is placed above civil society and coincides with what the realist would call the state and Gramsci calls "the State" (Gramsci 1971:12). To gain power, groups and alliances formed in the realm of civil society need to conquer the political institutions of the state proper, either using force, as in the case of violent regime change, or consensus, for example through democratic means.

However, Gramsci also distinguishes between the formal institutions of the state and what he refers to as the state in a wider, organic sense. This is the ensemble of the structure and the superstructure, the polity in its entirety, and in this sense it cannot be disentangled from civil society. The state in the organic sense is the articulation of political and civil society (Augelli and Murphy 1993:129).

Although it is often claimed that the modus operandi of the state proper is force and that of civil society is consensus, Gramsci underlines that all three social realms can be ruled by either force or consensus. Moreover, they are also the context within which the battle for the consolidation of power through force and/or consent necessarily takes place to lead to supremacy (Cox 1981). The idea of civil society as proposed by Gramsci and its role in modifying consolidated institutional arrangements has been imported by transnationalist scholars of globalization to frame the analysis of the disruptive impact of globalization on social and institutional orders, such as through democratization processes and revolutions (Mittelman 2000: 30).

On the other hand, the idea of civil society has been associated also to the notion of social capital as developed one century ago, in 1916, with the work of L. Judson Hanifan (Putnam 2000:19). In the tradition influenced by the work of Bourdieu, social capital is defined as resources embedded in civil society and accessed and used by actors for action (Bourdieu 1980:2–3). The broadly used conception from Coleman of social capital emphasizes its impact at the level of community (Coleman 1988). This conception has acquired heuristic value thanks to the contribution of Robert Putnam (2002:3). The core idea of social capital is that a person's social assets, family, friends, associates, are not irrelevant in a person's life. On the contrary, they are crucial to solve situations of crisis or to obtain economic or other advantages. This is not only true for individuals but for communities too, to the extent that the density of social capital in a given community can bring about material advantages and avoid or limit the impact of crises. In few words civil society matters, or, in Putnam's words:

> civil society affects the health of our democracies, our communities and ourselves. (Putnam 2002:6)

However, contrary to the Gramscian notion of civil society, this is an individualistic concept totally devoid of any relation with the economic determinants of the interests pursued by civil society groups. Its heuristic value is therefore very limited.

Moreover, the link between social policy and social capital lies in the amount and quality of mutual welfare delivered informally by friends, mutual support groups and community (neighbourhood or identity/religious-based) associations, which adds to and reinforces the social service nets provided by law. Social capital represents communal assets produced and reproduced by inter-personal relations based on trust and reciprocity and sustained by solidarity norms and values, including religious ones, as well as (in some contexts such as family and friendship networks) by emotional investment.

The Gramscian conceptualization of civil society, on the contrary, recognizes only in the capacity of a given alliance between civil society's groups to become hegemonic the possibility of delivering public policy, as we shall see in more detail in the next section about hegemony.

A Socio-Economic Understanding of Hegemony

Contrary to the realist understanding of hegemony, based on the power relations between nation states, the Gramscian understanding of hegemony is completely socio-economic (Gill and Law 1988:76). Although it might be true that a leading socio-economic historic bloc has a very clear cut national definition, such as, for example, the US capitalist class, its hegemonic power still derives only from its position in the relations of production and not from its national belonging. The three social realms identified above, the economic structure, civil society and the state proper, are also the context in which the battle for the consolidation of power leading to supremacy takes place (Cox 1981; Gill 1991). Enduring supremacy cannot be achieved without hegemony, which is the capacity of a socio-economic group to exert moral and political leadership (Gramsci 1971:57).

In turn, achieving hegemony requires building alliances with other socio-economic actors by responding to their "interests" (defined as their motivations stemming from their position in the mode of production) and to their "ideal aspirations" which are formed and consolidated in the realm of civil society. In modern capitalist societies only groups that have an essential role in the mode of production can become hegemonic, as only thanks to this they can acquire legitimacy vis-à-vis other corporate actors. On the contrary in medieval societies also religious groups could perform a leading moral and political role (Augelli and Murphy 1993:130).

In the words of Gramsci:

> (…) though hegemony is ethical political, it must also be economic, must necessarily be based on the decisive function exercised by the leading group in the decisive nucleus of economic activity. (Gramsci 1971:161)

To achieve hegemony in industrial societies a socio-economic group needs to follow three steps.

First of all, a group should be conscious of its interests and ideal aspirations, including the aspiration to become hegemonic. There is no possibility to become a leading socio-economic actor without being aware of one's role in the economy and of the political role one could fulfil.

Secondly, alliances with contiguous socio-economic groups must be built, thus overcoming narrow economic-corporate interests with the aim to join forces with other groups and engage in political struggles. Drawing on Sorel's language, Gramsci defines this step as the establishment of a "historical economic-political bloc". This is far more than a mere alliance. It is the creation of a dialectical unity between structure and superstructure, cemented by the construction of a suitable ideology which allows the "bloc" to overcome the difference between theory and practice, masses and intellectuals. Indeed it is thanks to the essential role played by the so called "organic intellectuals" that such a cohesive bloc can be formed and hegemony can be exercised. To this aim, organic intellectuals need to produce an internally consistent ideology able to demonstrate that the interests of the hegemonic class coincide with the interests of the entire society or, at least, with the interests of the dominant socio-economic bloc (Augelli and Murphy 1993:131).

The third step for a socio-economic group in the process of consolidating hegemonic power, to be sure that it is stable and long-lasting, consists in ensuring economic growth and prosperity. This is one of the reasons why hegemons, in capitalist societies, can only be actors who have a fundamental role in the production sphere (Augelli and Murphy 1993:131).

Summing up, according to Gramsci, to become hegemonic in modern capitalist societies it is necessary to fulfil the following requirements: first, developing self-awareness of interests and ideal aspirations; second, building alliances through suitable ideological means; and, third, to give stability to hegemony and extend it to a broader audience, ensuring economic prosperity (Augelli and Murphy 1993:131).

If a hegemonic group fails to guarantee any of these requirements it is bound to lose power and the related society is likely to experience a crisis of authority. Hegemony, however, does not necessarily mean supremacy. This requires domination of the social groups outside the socio-economic bloc, using either fraud or force. Supremacy is therefore maintained through hegemonic means vis-à-vis social allies and through domination of others. Finally if hegemony is not ethical, if it is obtained by fraud, it is doomed to be lost through substitution either by true ethical hegemony or by domination (Augelli and Murphy 1993:131).

Two Examples of Application of a Neo-Gramscian Approach to the Global Political Economy

The Crisis of the Arab Nation State and the Rise of Islam

Following Gramsci (1971), it is conceivable to hypothesize that the impact of globalization on the Arab states, especially its impact in terms of crisis of the nation state, produced the conditions for the emergence of a new socio-economic historic bloc striving to become hegemonic. This was based on alternative ideologies such as Islam and underpinned by different socio-economic alliances, namely a new alliance between the "discontented" middle class(es) and the "dispossessed" lower one(s) (Roccu 2012), what Harvey (2008) calls the discontented and the dispossessed.[4]

Using a Gramscian language, this alliance increased their potential to form a socio-economic bloc and to start battling for supremacy. As already underlined above, for Gramsci (1971), achieving supremacy requires the formation

[4] For a very good account of the definition of middle class in the Middle East see Luciani, "[t]he middle class per se has no other distinguishing feature except that it finds itself between a top class, comprising the elite, and a lower class, comprising the masses" (2007:163). See also Roccu 2012; Clark 2004; Ayubi 2008.

of alliances with other socio-economic actors. This is obtained by responding to their "interests" (defined as their motivations stemming from their position in the mode of production) and to their "ideal aspirations" which are formed and consolidated in the realm of civil society. As the interests of a group in modern capitalist societies are always economic ones, a leading or hegemonic socio-economic group can only be one with an essential role in the mode of production. In medieval societies, on the contrary, religious groups could also perform a leading moral and political role. It follows that in the case of the Arab states undergoing regime changes, the religious content of the counter-hegemonic socio-economic alliance must be read as an ideological framework, which conceals the role played by the groups in question in the mode of production. Indeed, for Gramsci (1971), it is precisely this essential role in the world of production that confers legitimacy to a socio-economic group, making its dominance socially and politically acceptable for other corporate actors.

The formation of a historical socio-economic bloc however, is far more than a mere alliance. It is a dialectical unity between the structure and the superstructure, founded on a common ideology allowing the groups in question to overcome any contradictions between theory and practice, intellectuals and masses. The creation of such a cohesive bloc is no easy task and relies heavily on the role of "organic intellectuals" in spreading a suitable ideology and achieving enduring hegemony. Nevertheless, the economic dimension is still essential; a bloc which is unable to guarantee the economic interests of its allies is doomed to lose its hegemonic power and, eventually, its supremacy (Gramsci 1971).

Applying these analytical lenses to the case of the Arab states, according to the relevant literature (Ayubi 2008:343; Clark 2004; Roccu 2012), in the Middle East, the bulk of the middle class would be represented by civil servants, which are, by definition, discontented by the retreat of statist regimes (Said 2007: 6). This is compounded by professionals and a very limited group of small and medium entrepreneurs, sometimes explicitly Islamic business (Schlumberger 2008). Indeed, most of the very small entrepreneurs would belong to the category of the "dispossessed" lower classes. With respect to the business component of the middle class, both in Egypt and in Tunisia, for example, state capital tended to ally more with international capital than with local small and medium capital, which was generally weak, according to Ayubi's conceptualization (Ayubi 2008:180–181).

As noticed by Ayubi:

> The private business bourgeoisie, insofar as it was allowed to exist, became subservient to the State and to the requirements of state capitalism. (2008:181)

Even the heavy liberalization policies adopted in both countries as a consequence of globalization-induced economic restructuring seem to have failed to incorporate local, private small and medium entrepreneurs not connected to the regimes into the system (Roccu 2012; Ayubi 2008:329–357).

On the other hand, the dispossessed are the poor, that is, those who do not have possessions and therefore are unable to access the market place to meet their basic needs (Clark 2004:11; "Morti di Fame", Ayubi 2008: 179).

Both strata have been increasingly marginalized by the statist regimes in the Middle East, from the political sphere as well as also from the socio-economic and cultural ones (Roccu 2012; Ayubi 2008: 181). Indeed, the latest batch of economic restructuring measures mainly affected the lower and middle classes (Ayubi 2008:352; Heydemann 2004; Roccu 2012). In the words of Ayubi (2008:181):

> Marginalisation is an important phenomenon in many Third world countries, not only because of the large size of the lumpenproletariat but also because of the dangerous phenomenon of the unemployment (or underemployment) of the educated

Such marginalization is a very important breeder of protest movements, such as "Political Islam" (Ayubi 2008:181–182).

What it is hypothesized here is that, in the Arab world, especially in the Middle East, Islam progressively became the point of reference of those strata of civil society marginalized by the existing regimes: the discontented middle classes and the lower classes. This means that in practical terms, Islam increasingly came to represent their main ideology, as well as the basis of their identity and, wherever possible, of their social relations and networks. This might have been favoured by the ideological weakness of the existing power bloc, which limited its capacity to gain hegemony in civil society (Ayubi 2008: 399). Thus, in this context, the impact of globalization on civil society would be the creation of a new socio-economic alliance between the marginalized strata of civil society cemented by a common ideology, Islam.

A Neo-Gramscian Interpretation of the Process of European Integration

Neo-Gramscian scholars understand the process of European integration in historical terms as the progressive institutionalization of the neoliberal project in the European context underpinned by the social and economic forces gaining the most from this process (Cafruny and Ryner 2007:5).

Cafruny and Ryner (2007) identify two phases in the development of the European integration project. The first, immediately after World War Two, was mainly aimed at consolidating national capitalisms by establishing some minimal cooperation on economic matters between the EEC member states (Cafruny and Ryner 2007:3). The second phase, dating back to the beginning of the 1980s, stems from the failure of national Keynesianism to guarantee the prosperity of national hegemonic socio-economic capitalist blocs any longer and from the realization that only a neoliberal project could achieve a similar objective. However, this neoliberal project is inherently contradictory and this, together with the enduring subordination of the European capitalist class to the USA, produces the ongoing crisis of the European Union (Cafruny and Ryner 2007: Introduction).

One of the most successful attempts to translate neo-Gramscian approaches to IPE into a full-fledged theory of European political economy is represented by Van Apeldoorn, Overbeek and Ryner's transnational historical materialist theory of European integration (Van Apeldoorn et al. 2003).

Relying on Gramsci's sociology of power, Van Apeldoorn, Overbeek and Ryner understand the relaunch of European integration in the 1980s and the 1990s as a:

> shift from an international configuration of historic blocs based on Fordism, Keynesianism and "embedded" or "corporate" liberalism to a transnational neoliberalism. (Van Apeldoorn et al. 2003: 37)

The nature of this transnational/neoliberal hegemony in Europe is then described by five propositions:

1. That there is a dialectical relation between neoliberalism as a hegemonic project and neoliberalism as a process and therefore there is scope for social struggle in the implementation of the neoliberal project.
2. The process of implementation of neoliberalism implies the following phases:

   - "Neo-liberalism as a de-constructive project in which neo-liberalism emerges as the concept with the most convincing analytical and prescriptive framework of the crisis of Keynesianism and defeats corporate liberalism and social democracy in one country after another."

- "Neo-liberalism as a constructive project, or the phase of the imposition of structural adjustment, liberalisation, deregulation, privatisation; corporate liberalism is discredited, no new alternative can be articulated, and the tenets of neo-liberalism are increasingly accepted as valid and legitimate."
- "Neo-liberalism in its consolidation phase in which internationally as well as within the countries of the advanced capitalist world, any notion of an alternative to the global rule of capital has become utterly 'unrealistic' and discredited and neo-liberal reforms are 'locked in; or 'normalised' in the Foucauldian sense" (Van Apeldoorn et al. 2003:38).

3. The process of European integration is not autonomous from the formation of a transatlantic hegemonic bloc, but is one of its regional manifestations.
4. This hegemonic bloc is a "transnational" one, in the sense that it acts simultaneously in both the domestic and the international arenas.
5. Finally, the conceptualization of transnationality is to be related to changes to sovereignty, governance and statehood taking place as a consequence of globalization.

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6

Feminism and Critical International Political Economy

Anne E. Lacsamana

In her 1997 essay "Gender, Feminism and Political Economy" Georgina Waylen acknowledges the irony of having her work published in *New Political Economy*, a scholarly journal emphasizing "lack of rigidity and broadness of… scope", despite the fact that its inaugural 1996 issue made "no mention" of gender or feminist analyses of the political economy (Waylen 1995: 205). She goes on to suggest that "having the occasional article by a feminist academic, and 'openness' as a policy is not enough on its own" (Waylen 1995: 205). Her attention to the tokenization of feminist analyses and the marginalization of gender within the new political economy (NPE) was echoed by Penny Griffin ten years later in "Refashioning IPE: What and how gender analysis teaches international (global) political economy". In this piece, Griffin explains that gender remains "trivialized in the minds of the mainstream, as a category pertaining only to the lives of women, women's labour rights and women's social movements" (Griffin 2007: 720). Moreover, the absence of gendered analyses persists within the more radical tradition of critical international political economy (IPE), where "gender is rarely explicitly centralized…and the place of gender analysis remains as yet unguaranteed" (Griffin 2007: 723). Despite these exclusions, a rich body of literature has developed over the years by feminist scholars working within international relations (IR) resulting in a feminist IPE approach. Nonetheless, as Juanita Elias notes in "Critical Feminist Scholarship and IPE", among the numerous barriers facing feminist

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scholars is their interdisciplinary training "which cannot be fitted neatly into an intellectual history of the discipline" (Elias 2011:102). Responding to what she describes as intellectual gatekeeping by those working within IPE, she states that "questions need to be raised, therefore, about the extent to which there is an implicit conservatism to IPE scholarship (be it 'critical' or otherwise) in which gender issues and feminist-oriented research are always constructed as somewhere 'out there' on the edges of the field" (Elias 2011:103).

As an interdisciplinary transnational feminist scholar writing and teaching in the field of Women's, Gender and Sexuality Studies, the concerns raised by Waylen, Griffin, Elias and others working within feminist IPE invoke the spirited debates among US feminists during the 1970s and 1980s, concerning feminism's fraught relationship with Marxism specifically, and the international political economy more generally.[1] By the early 1990s, with the collapse of the Soviet Union and the acceleration of globalizing processes, radical critiques of class and capitalism had all but disappeared in mainstream feminist discourse. In her most recent assessment of contemporary feminist theory, Shahrzad Mojab writes "Marxism and feminism have never been so far apart as at present" (Mojab 2015). How do we make sense of feminism's retreat from class, especially when it is the exploitation of both the productive and reproductive labour of women, specifically women of colour in the global South, who largely continue to fuel the globalized economy? How can those operating within the interdisciplinary area of Women's, Gender, and Sexuality Studies and feminist IPE revitalize a 21st century historical materialist feminism within an international setting to better grasp the contours of neoliberal capitalism? To answer these questions, I provide a brief sketch of two central theoretical developments within feminism that have effectively diminished any critique of capitalism and the IPE: the ascendancy of postmodernism and the deployment of "intersectionality" as the dominant lenses from which to understand gender and other identity indicators. Finally, I suggest that a renewed engagement between feminism and Marxism remains one of the best approaches for understanding the changing parameters of the neoliberal landscape.

In the groundbreaking 2009 book *Feminism Seduced: How Global Elites Use Women's Labor and Ideas to Exploit the World*, Hester Eisenstein provides readers with a rare critique of dominant theoretical and methodological trends in mainstream feminism. She was compelled to write the book because she believed "feminism in its organized forms [had] become all too compatible with an increasingly unjust and dangerous corporate capitalist system"

[1] For a collection of early essays exploring these debates see: Lydia Sargent, *Women and Revolution: A Discussion of the Unhappy Marriage of Marxism and Feminism* (Cambridge, MA: South End Press, 1981).

(Eisenstein 2009: 1). Tracing this trend to the 1980s and the advent of the "cultural turn", Eisenstein explains that this period saw "women's studies scholarship [move] away from Marxism and towards an engagement with postmodernism and poststructuralism" (Eisenstein 2009: 2). This, in turn, led to an emphasis on discourse and linguistic play that effectively "undermined a systemic analysis of the capitalist system" (Eisenstein 2009: 2). In many respects, her work builds upon and reinforces similar concerns put forth over the years by a number of feminist critics, including Teresa Ebert, Barbara Epstein, Ellen Meiksins Wood, Martha Giminez, among others.[2] For scholars seeking to recuperate the revolutionary and transformative ideals of the women's movement, especially in the wake of an international financial collapse exacerbated by the ongoing US-led global "war on terror", Eisenstein's claim that feminism has been co-opted and seduced by neoliberal dictates has a particular sense of urgency that cannot be easily dismissed.

The need for feminism to re-engage with a capitalist critique and re-think its contested relationship with historical materialism has long been a concern of mine, dating back to my first trip to the Philippines in 1997. After visiting with members of the multisectoral women's movement, learning from peasant women organizers, and touring urban squatter communities in Manila, I realized my own training in postmodernist feminism failed to equip me with the critical lens necessary to understand the social, political, and economic conditions characterizing Philippine society. The emphasis Filipino feminist activists placed on understanding the class character of globalization, and its relationship to gender and sexuality, was directly at odds with the bulk of feminist knowledge production that was in widespread circulation at the time. For example, in *The End of Capitalism (as we knew it)* feminist geographers J.K. Gibson-Graham took issue with accounts that described the exploitative aspects of globalising processes, arguing, instead, that such discourses obscure the more dynamic and complex outcomes for "Third World" women. Specifically, they noted how "women's involvement in capitalist exploitation has freed them from aspects of the exploitation associated with their household class positions and has given them a view from which to struggle and redefine traditional gender roles" (Gibson-Graham 1996: 132). In this account, Gibson-Graham falsely assume that the transformation of

[2] See for example: Teresa Ebert, *Ludic Feminism and After: Postmodernism, Desire, and Labor in Late Capitalism* (Ann Arbor: University of Michigan Press, 1996); Barbara Epstein, "What Happened to the Women's Movement?" *Monthly Review* (May) 1996; Ellen Meiksins Wood, *Democracy Against Capitalism: Renewing Historical Materialism* (Cambridge: Cambridge University Press, 1995); Martha Giminez, "Capitalism and the Oppression of Women: Marx Revisited", *Science and Society: A Journal of Marxist Thought and Analysis*, Volume 69, Number 1 (2005), 11–32.

gender relations can be achieved without the simultaneous transformation of the political economy, the material basis responsible for maintaining unequal gender relations in the intimate confines of the home (Lacsamana 2012a: 9–10) .Over the intervening years, explanations such as these became increasingly common, with more and more attention paid to how individual women in the global South negotiated and resisted their exploitation *within* the existing neoliberal social order.

For many feminists, postmodernism's abandonment of totalizing theories and grand narratives represented a liberating break from the numerous "failures" of Marxism including its alleged economism which subsumed gender and other identity categories to class along with its inability to recognise and theorize the importance of women's reproductive labour and its critical connections to productive work and capitalist accumulation. By the 1980s, postmodernism was well on its way to becoming the hegemonic theoretical frame in US feminist thought precisely as its stress on identity, difference, discourse, representation, power, and agency corresponded with critiques issued by women of colour concerning the white solipsism of the "second wave" of the women's movement. Thus, the advent of "identity politics" in feminism had much in common with the emphasis postmodernism placed on multiplicity, plurality, identity, and agency. Commenting on this period, Elizabeth Kennedy and Agatha Beins explain that postmodernism "became as important a theoretical approach as historical materialism had been in earlier years", embraced by many feminist theoreticians because of its "freeing effect, offering new ways of thinking about the complexity of subjectivity, identity, and experience" (Lapovsky and Beins 2005: 5). Indeed, it is precisely these qualities that some feminist scholars working within IPE find refreshing, given the long-standing disciplinary resistance of acknowledging the centrality of gender analyses of the international political economy.

In the recent anthology *Critical International Political Economy: Dialogue, Debate and Dissensus* co-edited by Shields, Bruff and Macartney, three chapters address questions directly related to gender, race, class and sexuality. Of the three, two are illustrative of the "cultural turn" in feminist IPE scholarship. For example, Griffin's "Poststructuralism in/and IPE" argues that poststructural thinking, especially in its "postcolonial and gendered forms", provides the necessary analytical tools for questioning the "basis of power, knowledge, representation and identity" in dominant discourses underpinning the global political economy (GPE) (Griffin 2011: 43–47). Utilizing an "embodied" approach, Griffin demonstrates how social, cultural forms of everyday life are often obscured in mainstream accounts of economic activity (Griffin 2011: 50:51). As a result, abstract market decisions and rationalizations are "naturalized" as objective and rational mechanisms of capitalist accumulation rather than socially constructed, deliberate policies pursued by those most privileged in the GPE (white, Western, heterosexual men). For example, through textual deconstruction, she illustrates how certain World Bank strategies targeting women in the global South rely on particular gendered, heteronormative ideologies that relegate women to the private sphere (Griffin 2011: 50–51). She also counters popular representations of the financial crisis as a "mancession", illustrating how this characterization detracted from the fact that women, given their locations in predominately low salaried, labour intensive, service-oriented industries (in the global North and South) were actually more "adversely affected" since "men have actually experienced job losses at a lower rate than in earlier recessions" (Griffin 2011: 55). These examples, according to Griffin, reveal how dominant discourses are always already imbued with particular forms of power that regulate and reify specific norms about gender and sexuality. Though mindful of critiques levelled at poststructuralism, especially its disavowal of metanarratives and totalising thought by IPE scholars wedded to more conventional economic analyses as well as those working within the more "critical" IPE tradition, Griffin maintains this lens is useful for drawing attention to the local, specific everyday discursive acts and representational practices informing economic activity while simultaneously remaining committed to systemic global trends (Griffin 2011: 56–58).

Similarly, Juanita Elias's aforementioned "Critical Feminist Scholarship and IPE" provides an excellent overview of feminist research to highlight the impressive body of work produced in the discipline, despite the obvious gaps, omissions, and absences gender and other identity markers receive in mainstream and critical IPE accounts. Building upon Georgina Waylen's 2006 essay "You Still Don't Understand" that openly questions why, given the overlap between interests and material within critical and feminist IPE, critical IPE practitioners have been "so loath to bring in insights from feminist IPE" (Elias 2011: 99). Whereas Griffin wonders if the term "critical" needs to be narrowed to better grasp its meaning, Elias calls for an expansion to include the too often neglected feminist perspectives. The richness of feminist IPE, according to Elias, stems from the "plurality" of theoretical frameworks feminists use to address issues central to the political economy, namely "materialist, poststructuralist and postcolonial" (Elias 2011:105). Objections to the expansion of the prefix "critical" to incorporate more feminist analyses emanate from some who believe gender (and other identity categories) "neutralize the emphasis on the (important) category of class in IPE" (Elias 2011:104). For Elias, "an overriding emphasis on class is of little use to scholars engaged in feminist research agendas, for it is not understood in terms of how it intersects with other forms of social inequality that cannot be so easily subsumed within a class-based frame" (Elias 2011: 104). Although she does not believe "critical Marxian approaches to the political economy and feminist IPE are mutually incompatible" (Elias 2011: 104),she does articulate a desire to understand feminist IPE on its own theoretical pluralist terms. The postmodern emphasis on difference, especially along the axes of race, class and gender, proves especially useful for this endeavour and relies on the implicit assumption that Marxist approaches within critical IPE remain gender neutral and economistic at the expense of other systems of domination and oppression.

Accompanying the ascendancy of postmodernism in contemporary feminist thought was the development and widespread circulation of "intersectionality", a concept most often attributed to critical race scholar Kimberlé Crenshaw's 1989 landmark essay "Demarginalizing the Intersection of Race and Sex: A Black Feminist Critique of Antidiscrimination Doctrine, Feminist Theory and Antiracist Politics". Adherents to this perspective argue that race, gender, class, sexuality, ability, etc. are independent entities, with no category superseding the other, intersecting in a variety of ways to produce specific, localized conditions of privilege and oppression. Now considered one of "women's studies' most important theoretical contributions to other disciplines" (Aguilar 2015), it is not an exaggeration to suggest that deploying an intersectional analysis is considered de rigueur in contemporary feminist thought.

Notwithstanding its widespread popularity, critiques of intersectionality have arisen over the years, inspiring debate regarding its capacity to grasp the social totality necessary for thinking about capitalism's connections to other systems of domination. In an early assessment, Martha Gimenez identified one of the principal deficiencies of intersectionality's conceptual framework: the delinking of race, class and gender from their material underpinnings resulting in the downplaying of "theory, and the resort to experience as the source of knowledge" (Gimenez 2001: 23–33). In other words, appeals to acknowledging the intersections of race, class, and gender remain focused solely on the micro-level with no connection to how one's experience at these intersections is connected to the capitalist system. Anita Fischer and Daniela Tepe make a similar observation in their examination of the emancipatory potential between critical theory, feminist IPE and intersectionality by noting how the "immanent reduction of the categories of class, race and gender to categories of identity on the level of subjectivity" within intersectional analysis "obscures from view the necessity of a societal or macro-theoretical perspective" (Fischer and Tepe 2011: 144). They acknowledge that critiques such as theirs remain on the margins "partly due to a preoccupation…with the post-structuralist-inspired neglect of 'totalizing' social theory" (Fischer and Tepe

2011: 144). What we are left with, then, is the ever-increasing atomization of identities, whereby collective struggle has been replaced by a self-sufficient individualism reflective of the neoliberal period in which we live. Put another way, the supposed liberatory effects of fragmentation, multiplicity, and plurality that are hallmarks of postmodernism dovetail neatly with neoliberal capitalist ideology.

In the popular press, journalists have described the neoliberal turn in feminism as "trickle down" or 1% feminism, citing the lavish media attention which Christine Lagarde's 2011 appointment as Managing Director of the International Monetary Fund (IMF) and the publication of Sheryl Sandberg's bestselling *Lean In: Women, Work and the Will to Lead* received, with many writers heralding them as models for women seeking to break the glass ceiling, particularly in the corporate sector.[3] Laurie Penney provides a pointed critique of this trend explaining: "The problem with a glass ceiling is that nothing trickles down. While we all worry about the glass ceiling, there are millions of women standing in the basement—and the basement is flooding" (Penney 2011: 3). The focus on a few elite women breaking barriers in historically male-dominated arenas does not change the fact that the majority of the world's women continue to labour in low-paying, service-oriented industries, a point made forcefully by Sarah Jaffe when she notes "the brave new economy being rebuilt in the wake of the financial meltdown is being built on low-wage service work", a sector where women are both overrepresented and paid abysmal, poverty level wages (Jaffe 2013: 2). Indeed, no amount of "leaning in" could ever protect the 1,134 people, mostly women, who perished in the Rana Plaza Factory collapse in Bangladesh on 24 April 2013. Considered the "deadliest industrial structural failure modern times"[4] Rana Plaza reflects life for many women living and labouring throughout the global South. Residing in countries subjected to austerity measures in the form of structural adjustment programs by the World Bank and the IMF (demystifying the essentialist idea that appointing a woman to head the IMF would somehow transform the institution and its policies that disproportionately impact women), the majority of women are on the move as migrants seeking employment as domestic workers and caregivers in both the global South and

[3] See for example: Linda Burnham "Lean In and One Percent Feminism", *Portside*, March 26, 2013; Elizabeth Schulte, "Trickle Down Feminism?" *SocialistWorker.org*, March 20, 2013; Tressie Macmillan Cottom, "The Atlantic Article, Trickle Down Feminism, and my Twitter Mentions. God Help Us All", June 23, 2012, http://tressiemc.com/2012/06/23/the-atlantic-article-trickle-down-feminism-and-my-twitter-mentions-god-help-us-all/; Ann-Marie Slaughter, "Why Women Still Can't Have It All", *The Atlantic*, July/August 2012.

[4] "Reliving the Rana Plaza Factory Collapse: A History of Cities in 50 buildings, day 22", *The Guardian*, 23 April 2015, 1.

North, working as "entertainers" and/or "hostesses" in the militarized cities of the world, assembling electronics along the US-Mexico border, performing agricultural work, or producing clothes in one of the many garment factories scattered throughout urban centres like Dhaka. For a country like the Philippines where women's labour power remains the number one export, it is not an exaggeration to suggest that women, primarily women of colour, are keeping the global economy afloat.

These are just a few examples of why, now more than ever, feminists and Marxists must re-engage with one another to understand the centrality of gender and gender relations to more accurately capture the complexities of the IPE. This requires, as Cynthia Enloe reminds us, to be curious and not be lulled into intellectual complacency by terms such as "tradition" and "natural" or "always" to help explain why certain people perform certain jobs in certain locations while others do not (Enloe 2004: 1). For example, while some may assume that women "always" comprise the majority of the garment factory workforce since their labour is a "natural" extension of their biological capacities and the reproductive work they perform in the household, making it, therefore, "natural" for them to be paid a lower wage because it is "unskilled", Enloe asks us to question how women's labour is *made* cheap (Enloe 2004: 2). Doing so, enables us to see the complex interactions between gender, race, ethnicity, class, sexuality, and so on.

Although at first glance it would appear that an intersectional analysis is the best approach for answering this question, I suggest a Marxist feminist examination is more adept at capturing the complexity of these relations. This necessitates we dispense with the fundamental premise of intersectionality that, as previously mentioned, treats "race", class, gender, sexuality, etc. as isolated, independent categories that intersect at particular times to create localized, specific experiences. As Himani Bannerji observes, we do not experience our lives intersectionally, but "all together", which means this deliberate fragmentation of identity markers only serves to position "race" as a "cultural phenomenon and gender and class as social and economic" (Bannerji 2015). Drawing on Marx's conception of "the social" which makes clear that economic, cultural, and social life are "relational and mediated" by people's everyday practices (Bannerji 2015), she reveals how discourses of "race", gender, and class are grounded in capitalist relations: "the integrity of 'race' and class cannot be independent of the fundamental social organization of gender—that is, the sex-specific social division of labor, with mediating norms and cultural forms…. in every social space, there is a normalized and experiential as well as ideological knowledge about whose labor counts the least" (Bannerji 2015). Moreover, in this formulation, Bannerji heads off charges of reductionism by demonstrating the dynamic interrelationship between the social and economic, illustrating that one cannot be separated from the other anymore than the body can be "divorced from consciousness in a living person" (Bannerji 2015). This differs from typical intersectional analyses where race and gender are often analyzed in the absence of class and distinct from capitalist relations for fear these categories will be subsumed by the economic.

In one of the best accounts to challenge the prevailing conception that Marxism is inherently economistic and reductionist, Gregory Meyerson's "Rethinking Black Marxism: Reflections on Cedric Robinson and Others" provides a clear theorization of race and class that is applicable to gender as well. Rather than treating these three categories as equivalent and autonomous, Meyerson explains how and why race and gender differ from class in very particular ways. By making this distinction he is not rendering these categories "secondary" but rather illustrating that "class" in the historical materialist sense is fundamentally different from race and gender because of its explanatory potential and its function as the "only structural determinant" (Meyerson 2000: 2). In an early critique of "identity politics", Ellen Meiksins Wood makes a similar argument that can help clarify the function of class vis-à-vis race and gender. Unlike the writings of certain radical cultural feminists who argued that women's oppression was the most basic and fundamental oppression that needed to be eradicated in order for other systems of domination to collapse, identity politics emerged in opposition to create a community that "unites diverse human beings, all free and equal, without suppressing their differences or denying their special needs" (Meiksins Wood 1995: 258). This is made possible, according to Meiksins Wood, because it prevents such differences from ever "allowing them to become relations of domination and oppression" (Meiksins Wood 1995: 258). Once we place "class" into the long list of identity categories, as we commonly see in intersectional analyses, she asks: "is it possible to imagine class differences without exploitation and domination? The 'difference' that constitutes class as an 'identity' *is* by definition a relationship of inequality and power, in a way that sexual or cultural 'difference' need not be…in what sense would it be 'democratic' to celebrate *class* differences?" (Meiksins Wood 1995: 258). This is what Meyerson means by class operating as a structural determinant because of its implicit relationship to capitalism and the social relations of production. Again, this does not relegate the categories of race and gender to a subordinate position, but merely highlights their *ideological* function in the perpetuation of class rule (Meyerson 2000: 2). The *explanatory* function of class analysis requires we put the "fight against racism and sexism at the center" because it enables us to make sense of the "structural determinants of race, gender, and class oppression. Oppression is multiple and intersecting but its causes are not" (Meyerson 2000: 2). When viewed from this perspective, we can begin to see how postmodernism, and its various expressions in identity politics and intersectionality, is a conservatizing theoretical trend that obscures and mystifies capitalist relations rather than transforming them to truly enable a more just society to emerge.

In practical terms, the theoretical tendencies discussed above have serious consequences for the emancipatory potential of feminism, women's liberation and social justice organizing in general. To illustrate, two recent examples in the Philippines, a neo-colony of the USA, are instructive for understanding the dissonance between contemporary feminist theory and practice. The first example concerns the rampant militarized sexual violence that has been a mainstay of Filipino women's lives dating back to the 1947 Military Bases Agreement that was signed into law after the USA granted the Philippines formal independence in 1946. The second case concerns Mary Jane Veloso, a Filipina domestic worker, who was arrested in Indonesia on drug smuggling charges and scheduled to be executed by firing squad in April 2015. Veloso is emblematic of the close to 5,000 Filipinos, mostly women, who leave the Philippines every day seeking work as domestic workers, caregivers, nurses, and "entertainers". I highlight these two examples because both involve issues related to women's labour, specifically concerning "sex work" and domestic work, two subjects in feminist theory that have received significant attention over the past two decades or so.

At the time of this writing, US Marine Joseph Scott Pemberton is on trial for allegedly strangling a Filipino woman, Jennifer Laude, to death on 11 October 2014 after a sexual encounter revealed Laude was transgender. Pemberton was in the country as a result of the 1998 Visiting Forces Agreement (VFA) that provides the US military unlimited access to 22 ports of entry throughout the country to conduct "joint" military training exercises with the Armed Forces of the Philippines, otherwise known as *Balikatan*. The recently negotiated 2014 Enhanced Defense Cooperation Agreement (EDCA) cements US military presence in the country by granting its military personnel total and complete access to "agreed locations" in the country for an unlimited period to perform all military related activities (training, personnel accommodations, maintenance and storage of military vehicles, supplies and so on) that would typically occur at a permanent military base. (Oliveros 2014). Pemberton is charged with murder by Philippine authorities and if found guilty will serve 40 years in prison. In his testimony, Pemberton admits to choking Laude after discovering she was transgender, but says he left her unconscious in the bathroom, maintaining his defence that he did not commit murder. His statements are disputed, however, by one of his fellow soldiers who recalls Pemberton returning to their ship and stating, "I think I killed a he/she".[5] Throughout his testimony, Pemberton made clear he was the one victimized by Laude, telling defence lawyers he felt raped and deceived by a sex worker, making some observers believe his defence team is invoking a "trans panic" (similar to "gay panic") defence to justify his actions and potentially lower his prison time if convicted (Stern 2015) .Though Laude's family denies she was engaged in sex work, this continues to be the dominant narrative in press accounts.

The case of Pemberton and Laude is reminiscent of the widely publicized 2005 Subic rape case involving US Marine Daniel Smith and "Nicole", the pseudonym of the woman at the centre of the trial. The conviction and sentencing of Smith to 40 years in a Philippine jail for the rape of "Nicole" was historically significant because it was the first time a member of the US armed services had ever been tried, sentenced, and convicted for a crime on Philippine soil (Lacsamana 2011: 203). Furthermore, the case underscored the important activism of the militant arm of the multisectoral Philippine women's movement, whose tireless mass mobilizations throughout the country resulted in the passage of RA 8353, otherwise referred to as the Anti-Rape Law of 1997, which Makati judge Benjamin Pozon used when issuing his landmark legal decision. Although Nicole supposedly "recanted" her decision in 2009, enabling Smith to be released, the trial remains important because it was the first to pose a serious challenge to the VFA, threatening to derail the "special" relationship between the USA and its former colony.

The lopsided provisions contained within the VFA, such as Article V that mandates a trial be completed within one year while enabling the US to retain custody over the accused personnel (Lacsamana 2011: 203) continue to ignite protests regarding Philippine national sovereignty. Moreover, the two cases highlight the ongoing deep-seated racist and sexist ideologies underpinning military agreements like the VFA and EDCA that frequently wreak havoc on local communities, particularly women, due to the lengthy history of militarized prostitution in Japan, the Philippines, and South Korea. In the Philippines, prostitution reached its height during the Vietnam War, concentrated around the two former military bases: Clark Airfield and Subic Naval Base. In addition to health problems caused by environmental toxins around the bases, crimes against women and children were committed with impunity by US soldiers, leaving families with little recourse to seek justice. Eventually, after sustained demonstrations and protests by Filipino activists, the bases

[5] "US Marine Admits Choking Transgender Filipino, Denies Murder", *CBS News*, 24 April 2015.

were closed in 1991, only to have a more egregious agreement like the VFA passed a mere seven years later. Outside of the military, prostitution proceeded to develop in tandem with "tourism" initiatives by the Marcos dictatorship to spark economic development in the country. For these reasons, members of GABRIELA, a national federation of women's groups in the Philippines, consistently link national liberation with women's liberation, deploying an analytical lens that understands women's oppression is intimately tied to capitalist and imperialist exploitation. Utilising the term "prostituted" women to draw attention to the economic reasons many women enter the industry, their activism stands in sharp contrast with the bulk of contemporary scholarship on the subject that prefers "sex work" to showcase the complexity and nuance informing women's choice to enter the industry as well as to acknowledge that this work is, like any other labour, performed by women.[6] Undoubtedly, part of the "sex worker" discourse is intended to aid decriminalization efforts, which many argue could lead to prostitution's eventual legalization in countries, like the Philippines, where it remains illegal. Though I do not disagree with efforts to ensure women engaged in prostitution are not subject to further penalties and possible incarceration for their actions, I do not accept that keeping a localized focus on women's subjectivity and agency, for complexity's sake, does much to reveal the structural reasons some women, particularly those located in the so-called Third World, where colonialist fantasies about the dark-skinned "other" abound, enter the industry.

The scholarship on sex work in contemporary feminist theory mirrors much of the writing produced on domestic labour/work. An early study of Filipina domestic workers in Hong Kong by Nicole Constable exemplifies the theoretical template that has evolved over the years. Though she acknowledges the outflow of Filipino women's labour is the direct result of the labour export program initiated during the Marcos dictatorship, and details some of the barriers and abuses many domestic workers face in their host countries, she contends that travelling to "cosmopolitan" cities like Hong Kong provides them "pleasure" and "excitement" that they otherwise might not experience if they were not overseas Filipino workers (OFWs) (Constable1997: 210). Adhering to Foucault's dictum that power is capillary, other hallmarks

[6] The "sex wars" in US feminism are typically traced to the 1982 Scholar and Feminist IX Conference "Towards a Politics of Sexuality" held at Barnard College in New York City. For contemporary examples of this debate see: Kamala Kempadoo and Jo Doezema, eds., *Global Sex Workers: Rights, Resistance and Redefinition* (New York: Routledge, 1998); Kamala Kempadoo, et al. eds., *Trafficking and Prostitution Reconsidered: New Perspectives on Migration, Sex Work and Human Rights* (Boulder: Paradigm Pubishers, 2011); Anne E. Lacsamana "Sex Worker or Prostituted Woman? An Examination of the Sex Work Debates in Feminist Theory", in *Women and Globlalization*, eds. Delia D. Aguilar and Anne E. Lacsamana (New York: Humanity Books, 2004), 387–403

of this particular position include analyzing the micro-politics of everyday resistance (crying, frowning, letter writing, etc.) that domestic workers deploy to assert their agency and subjectivity in the face of employer misconduct and abuse (Lacsamana 2012b). The case of Mary Jane Veloso, an OFW, illustrates the difficulties in reconciling contemporary theory with the lived realities of many Filipinos working as domestic workers throughout the world. Arrested by Indonesian authorities in April 2010 and found guilty of drug smuggling, Veloso was sentenced to death by firing squad, igniting widespread protests among Filipino migrant activists who pressured both the Philippine and Indonesian governments to stay her execution. Surprisingly, she was granted a last minute stay, after a person involved in the case admitted to placing the drugs on Veloso as part of a larger human and drug trafficking scheme (Holmes and Fonbuena 2015). Although she remains on death row, as investigations into the charges continue, her situation evokes memories of numerous other Filipino domestic workers who have been accused of crimes they did not commit and imprisoned or executed depending on the laws of their host country. These stories also reveal the problems inherent in a neo-colony like the Philippines, whose external debt and labour export-oriented policies make it difficult, if not impossible, to ensure the protection of its workers while they labour overseas.

There are, of course, other scholars who continue to work against the grain of contemporary feminist theory by situating their studies within the international division of labour to better illustrate how ideologies concerning gender, race, sexuality, and nationality are deeply intertwined with neoliberal capitalist expansion and exploitation. As I have discussed elsewhere, Hsiao-Chun Hsia's fascinating account of "commodified transnational marriages" in Taiwan serves as a good model for future work in this area (Lacsamana 2012c). Hsia discounts the popular idea among some transnational feminist scholars studying the so-called "mail-order" bride industry who suggest such unions will lead to a "global village", arguing instead that these marriages "crystallize an unequal division of labor into personal relationships…. globalisation forces gender issues to be understood in the context of class and capitalist development" (Hsia 2004: 225–226). Warning that feminists should not "follow the flow of neoliberalism" (Hsia 2004: 225–226), she echoes Ebert, Giminez and others who forcefully call for a return to a class analysis. The most recent publication of the anthology *Marxism and Feminism* edited by Shahrzad Mojab is a hopeful indicator that feminism might be on the path towards fulfilling its revolutionary vision, by rethinking its relationship to class in general and Marxism in particular. However, it also necessitates, as feminist IPE scholars have demonstrated in their work ,that Marxists and critical IPE scholars begin to fully incorporate a gendered analysis to correct the omissions and silences regarding feminist analyses of the IPE that currently characterize fields such as critical IPE. It also means that feminists need to quit discounting “revolutions, socialism, and Marxism as no longer relevant, as passé, and, indeed, as useless traditions, due to their slighting of women’s concerns” (Eisenstein 2009: 203). The increasing privatization of everyday life, compounded by endless war, rising fundamentalism, scarcity and environmental degradation to name a few looming issues currently confronting us, requires nothing less.

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7

Critical International Political Economy and Method

Johannes Jäger, Laura Horn, and Joachim Becker

Introduction

The question of the adequate method is crucial not just for the field of critical international political economy (CIPE) but for scientific practice in general. There are however different ways to deal with methods. Concrete methods, such as the empirical investigation, the application of statistical analysis and so on, do not stand alone but should be systematically reflected and understood within a broader context of methodology. Methodology is more general than method and refers to the way methods are combined and applied, and therefore how scientific knowledge can be generated. In the philosophy of social science different perspectives on how to generate knowledge can be distinguished. This is simply because each philosophy of science has to start with assumptions about what the world consists of (*ontology*) and how humans can understand this reality (*epistemology*). Methodology in CIPE is rather different from "mainstream" approaches. This difference is rooted in the philosophy of

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science and is connected to a specific understanding of what scientific research is about, and what the purpose of critical social science should be.

Methodology in mainstream approaches in social science often still stands in the tradition of 19th century positivist philosophy of science. This is based on the assumption that there is a world out there which can be observed in an objective way and without value judgments and interference by the researcher. The perspective is by and large still prevalent within today's dominant strand in philosophy of science, namely critical rationalism which goes back to Karl Raimund Popper (1934 [1959]). This approach is more cautious than traditional positivism in assuming that theories, even if they cannot be definitely verified, can at least be *falsified*. However, it is still very close to the theoretical tradition of positivism. Critical rationalism is still the dominant philosophy of science background in mainstream social sciences, including international relations. It is not universally accepted, however. There have been many critiques of positivist approaches, coming from various traditions within the field of philosophy of science. Critical rationalism was questioned by the influential work of Thomas Kuhn (1962) and Paul Feyerabend (2010 [1975]). More recently, radical subjectivist and relativist perspectives within the context of constructivist approaches have become more widespread. In some extreme cases they tend to question even the mere possibility of scientific knowledge. In line with this, Richard Bernstein (1983) has called for a perspective beyond objectivism and relativism.

However, CIPE's methodology has its philosophical roots neither in positivism nor in radical subjectivism/relativism but in a different tradition, which can also be seen as an intermediate position between those two poles. Historically, it was dialectical materialism which provided the philosophical basis of critical political economy. Today, many consider critical realism, founded by Roy Bhaskar (1975), as the indicated metatheoretical foundation of CIPE. This is because critical realism can be seen as a further development of dialectical materialism (Jessop 2002)—although this perspective is not shared by everyone. Some argue that dialectical materialism already includes all the essential elements and they therefore see no need for critical realism as a philosophical metatheory (Brown et al. 2002). Dialectics and critical realism consider science as a social practice and therefore not as independent of history, institutions and societal interests. This is fundamentally different from critical rationalism, which insists on the separation between the subject (the researcher) and the object which is investigated (the society). According to critical realism, scientific practice such as the development and spread of methodologies and theories should be understood against the background of their societal context. Following this understanding, the next section briefly analyses the historical emergence of method and theory in CIPE within its societal context. Based on this, contemporary methodological approaches in CIPE will then be discussed, and contrasted to mainstream methodology. In addition, it will be demonstrated how different theoretical approaches within the field of CIPE can be understood against the background of the critical realist methodology and how they can be linked together. Finally, the power of the methodology of CIPE will be illustrated for the case of a conjunctural analysis of the economic crisis in Europe. In so doing, indirectly the structure of this chapter also demonstrates the methodology prevalent in CIPE.

Critical Political Economy and Methodology in Historical Perspective

The roots of CIPE can be traced back to classical political economy of the late 18th and the 19th centuries. The analysis of Adam Smith, David Ricardo and Karl Marx and others was based on an integrative study of politics and economics (Watson 2005; Van der Pijl 2009). Those classical scholars shared an interest in the dynamics and driving forces of long-run development of emerging capitalism and its societal implications. They focused on different economic classes and their role in the economic and the political system. Smith and Ricardo had tried to show how emerging capitalism works and why it was beneficial not just for capitalists, but also why landowners, the traditional feudal ruling classes, should not have opposed those developments because they were supposed to benefit from them indirectly. In so doing, they provided a legitimization for the new emerging bourgeoisie and their liberal project against the traditional landed classes in Europe. Marx (2012 [1867]) worked with this concept but provided, as the subtitle of his central work "Capital" indicates, "A Critique of Political Economy". Hence, there are important distinctions between Marx and his predecessors, not at least in terms of methodology. He did not just formulate a critique of political economy, but also provided a dialectical method to investigate economic and political dynamics.

Marx continued to use a core concept of Smith and Ricardo, the labour theory of value. This theory helps to explain the distribution of income and wealth among different classes such as capitalists, landlords, and workers. Smith and Ricardo as well as Marx had assumed that the income of workers would not increase with ongoing capitalist development and therefore they would not benefit from progress. Classical political economists explained this by pointing to the fact that the number of workers exceeded the number of jobs and that competition between workers would drive wages down towards a subsistence level. This was in line with historical developments in the context of a relative surplus of labour and the absence of trade unions and minimum wages. While Smith and Ricardo did not see this as a societal problem, Marx argued that this was a negative feature of capitalist societies which was detrimental to the working class and therefore the majority of the population. Marx developed his critical view considerably later than Smith and Ricardo, in a different historical context in which the social question had become more urgent. The fact that wages stagnated at a minimum level and surplus was appropriated by capitalists and landlords in the form of profit and rents was identified by him as exploitation. This re-interpretation of the labour theory of value made it increasingly difficult for classical political economy to be used to legitimize a liberal capitalist organization of the economy in favor of bourgeois interests. As a consequence, neoclassical economics, a new theory which emerged during the 1870s and 1880s, was warmly welcomed by the bourgeoisie because it helped to legitimize their interests much better. Whilst social classes are at the theoretical core of classical political economy, they have disappeared in neoclassical economics. Neoclassical economics has replaced those key categories by anonymous factors of production, which were supposed to be provided by households to firms. In this new economic science it was argued that the market should be analyzed as such, and therefore isolated from the state and politics. In line with positivism and based on methodological individualism (that is, the world is explained by actions of individuals but not classes or social structures, etc.) it was sustained that this neoclassical theory was an objective approach free of any value judgments (Screpanti and Zamagni 2005: 165f). A central argument of this theory was that state intervention into the market would reduce efficiency and therefore harm households and society. Hence, what appeared to be a logical consequence of classical political economy in Marx's interpretation, namely for workers to organize for higher wages, a reduction of working hours and labour rights, was, in the light of neoclassical theory, considered to produce inefficiencies and was therefore seen as undesirable.

The emergence of neoclassical theory and methodology went hand in hand with the institutionalization of this specific approach at universities. This was concomitant to the disciplinary split between first economics (a discipline related to the market), and later politics (a discipline related to the state) and sociology (a discipline related to the personal) in the context of dominant liberal bourgeois interests and ideology at the end of the 19th century (Wallerstein 2001: 19f.). Against the background of this disciplinary split, which still prevails in contemporary disciplinary self-understanding, political economy clearly represents a pre-disciplinary approach. Given the fact that at its core is the integrative analysis of economics, politics and society it can also be called a post-disciplinary approach (Jessop and Sum 2001).

Critical political economy has more often than not been marginalized in the discipline of economics; that is particularly Marxist approaches, but also other heterodox approaches such as old institutionalism (e.g. Veblen), evolutionary economics, post-Keynesian or critical feminist economics perspectives. In political science and sociology, Marxist perspectives and methodologies have often been pushed to the margins, too. Under the heading of new political economy, neoclassical methodological individualism is increasingly applied in the field of political sciences. The marginalization of critical political economy perspectives is also the case for the field of international relations which had emerged in the interwar period and has mainly been dominated by the debate between idealists and realists since then. This is a split which can also still be observed in many textbooks introducing the discipline of international relations (IR), and more specifically international political economy (IPE). Methodologically, many debates in IR continue to be based on critical rationalism.

In the 1970s, with the emergence of IPE as an interdisciplinary field of research, Marxist theory and methodology, for example in dependency theory, the world systems approach or neo-Gramscian approaches, became more visible. Cox's forceful critique of the rationalist and methodologically nationalist understanding of IR (Cox 1981) illustrated the significance of critical methodologies for studying the complexities and contradictions of the global economy. Where "Marxism" found its way into textbooks of IPE (Pearson and Payaslian 1999), however, it was predominantly a structuralist interpretation of, for example, world systems theory (Wallerstein 2001: 227f), essentially conflating the rich and pluralist range of critical political economy perspectives to one specific approach which could quickly be neutralized in theoretical and methodological debates.

More recently, constructivist frameworks and methodologies have become increasingly prominent, and have started to displace Marxist (often called structuralist) perspectives as alternative perspectives to realist/liberal theories. A strong methodological focus on ideational dimensions means that while at the level of epistemology, constructivism follows a set of post-positivist commitments, ontologically it does not share the strongly materialist point of departure of most CIPE approaches. In the context of this "ideational turn", the theoretical concepts but also the related methodologies in CIPE have become less visible. However, there is a growing and vibrant critical tradition in IR and IPE (see e.g. Bruff and Tepe 2011; Shields et al. 2011; Belfrage and Worth 2012). Given the rising contradictions of, for example, US imperialist strategies, geopolitical challenges for capitalist expansion (e.g. shifts in production or the role of labour unrest), inner imperial problems of uneven development and hegemony such as the crisis of the EU, CIPE perspectives seem more pertinent than ever for a comprehensive analysis of global capitalism. Against accusations of "monotheism" and economic determinism, the richness and diversity of CIPE approaches show how critical methodologies can be employed to understand the economic, political and cultural dynamics of social change (Bruff et al. 2010). It is thus all the more important to understand some of the core dimensions of the methodological underpinnings of CIPE approaches.

Whilst neoclassical economics and rational choice approaches in political science are based on a specific methodological approach within the broader framework of positivism, this stands in sharp contrast to the dialectical materialist methodology introduced by Marx. He used Hegel's idealist philosophy but turned it upside down, or as he said, from the head onto the top. Not ideas but the materiality of life is the foundation which predominantly shapes the world and history and which has to be investigated. However, Marx incorporated the Hegelian emphasis on creative intellectual labour: "In Marx there is no longer a functional mechanism in the discovery of a preordained, divine universe, but a historical force. Thinking is, so to speak, always trying to get ahead of things-as-they-are. This puts Marxism on a different plane from naturalistic materialism and its empiricist method" (Van der Pijl 2007: 13). His dialectical approach to understand the evolution of history was also called historical and dialectical materialism.

How can Marx's specific methodology be described then? He has not written extensively on method. According to David Harvey (1996: 48) this is for good reason because Marx's historical method is not a fixed "thing" and therefore cannot be understood as such, except by following his *practice* of research. However, Marx (1857 [2012]) provided some explicit hints on his methodology in the "Introduction to the Grundrisse", and Harvey (1996: 48ff) concedes that some aspects of Marx's dialectical approach can be characterized. Above all, a dialectical methodology is much more than the progress from thesis to antithesis and finally to synthesis, a method which is often associated with this concept. Beyond that it is concerned with the focus on processes and the split of apparent unities into parts, thereby leaving behind Cartesian separations between mind and matter, consciousness and materiality. The question of an adequate dialectical mode of argumentation is "a debate over how to abstract from the phenomena we encounter in everyday life" (Harvey 1996: 48). Harvey (1996: 49–57) provides several propositions of the principles of dialectics, such as the emphasis on the understanding of processes, flows and relations over the analysis of elements, things and structures. In addition, "things" are always assumed to be internally heterogeneous, and parts and wholes are mutually constitutive to each other.

A Critical Realist Approach

The dialectical reasoning as described above has been incorporated into and represents a central part of an important strand of (dialectical) critical realism today (Bhaskar 1998).[1] As such critical realism provides a basis to describe the *methodological approach* in a more schematic way. An important difference between critical rationalism and critical realism is that the latter argues that an assumption about the ontology, that is, about what the world looks like and what it consists of, is crucial for a philosophy of science. Each methodological approach, critical realism insists, presupposes an *ontological position*. In particular critical realism asks how the world is composed in order for scientific intervention to be possible. If one assumes, for example, a completely deterministic world without any free will, scientific practice would not be able to make a difference in the world. Another important ontological element of critical realism is the assumption that there is a world "out there" and that this world is complex. Critical realism argues the dominant search for law-like regularities in mainstream research is a misleading path to causality: "[Critical] Realism replaces the regularity model with one in which objects and social relations have causal powers which may or may not produce regularities, and which can be explained independently of them. In view of this, less weight is put on quantitative methods for discovering and assessing regularities and more on methods of establishing the qualitative nature of social objects and relations on which causal mechanisms depend. And this in turn brings us back to the vital task of conceptualization" (Sayer 1992: 2f.). Generative powers and mechanisms are considered to be usually part of the real in open systems and not directly observable. Those things or social relations may have the power to produce something. However, this does not always become manifest, and only under specific circumstances. Hence, generative powers do not always lead to certain events but are rather to be seen as tendencies. This has important *epistemological implications* because we can just understand particular elements of that reality due to the natural limits of our minds (compared to the complexity of the world and of social relations and processes) and therefore certain perspectives have to be adopted. We do not have a "direct" access to this complex reality but all our understanding of reality is mediated by abstract concepts which are a historical product.

[1] However, critical realism is a broad field and includes also non-dialectical strands which often deviate quite substantially from Marx's critical historical materialist approach and which therefore are not considered in this chapter (cf. Patomäki 2002).

This means that "direct observation" as assumed in empiricism is simply not possible. According to critical realism it is crucial to be aware of this. We can have access to reality only via (theoretical) concepts, abstractions or perspectives which can be understood as "theoretical glasses" which we wear. However, there is no *judgmental relativism* which would imply that given a certain perspective different people should make similar observations which are to an important extent determined by the perspective: "Observation is neither theory-neutral nor theory-determined, but theory-laden. Truth is neither absolute nor purely conventional and relative, but a matter of practical adequacy" (Sayer 1992: 83f.).

According to critical realism it is crucial to be well aware of this, and to question and reflect on the (often implicit) assumptions, abstractions and concepts which we use. These concepts which we apply to understand reality stem from conceptions of everyday life and also from "scientific" knowledge. Both types of knowledge are considered to be historical products and therefore the result of economic, political and societal developments and a changing interaction of man/woman with nature. Knowledge of whichever type therefore is a social product. In addition, a harmonistic view on society is dismissed given the complexity of the world and of social hierarchies and processes. On the contrary, it is argued that there are different perspectives on social reality which of course also have different implications for different groups in society. Therefore, it is no surprise that there are always different perspectives and disputes not just in everyday life, over political and economic issues but in scientific practice, too. Hence, science cannot but adopt perspectives which tend to be closer to certain perspectives and groups in society than others, and are therefore inevitably biased. This implies that not just the method but also the *purpose and aim of research* are different in critical realism from, for example, critical rationalism. While the latter assumes that so-called "objective" or scientific knowledge as such free of value judgments contributes to a common good, a "better" world, critical realism focuses on different and conflictive perspectives. Hence, what might be good for one group might harm, disfavour or be disliked by others. The question arises then: Where does scientific research position itself? Critical realism has a clear answer to this based on a moral position: It says that it should adopt an emancipatory perspective contributing to a better situation in particular for disfavoured groups. Although on an abstract level this seems to be a clear statement, it has to be figured out more precisely what this means for concrete research processes.

As indicated above, the starting point of research may be a concrete phenomenon. However, it requires abstractions to deal with it. In the *practice* of scientific research, therefore, one often starts with such abstractions. Based on

Andrew Sayer (1992: 85ff.) such an approach can be described as a dialectical circle. Given the fact that laboratory conditions for macro-social processes usually cannot be generated, the production of knowledge takes the form of a systematic reflection related to concrete historical phenomena and processes. Although one starts with an abstract concept, in order to better understand a concrete phenomenon or process it will be necessary to use additional abstractions at a more concrete level. These are used to focus on concrete processes and events. Finally, one goes back through the different abstract concepts at higher levels of abstractions and modifies them, or incorporates new aspects, etc. The modified or expanded abstraction is then used to return to the concrete which allows for a broader and the same time more precise understanding. With each move from the abstract to the concrete and back the perspective is enhanced. Although in practice one will have to stop at a certain point, this is potentially a never-ending circular research process. It implies that the production of knowledge about reality is never a purely theoretical undertaking, but always related to reality and includes therefore empirical aspects in a broad meaning. This spiral, or ladder, from the abstract to the concrete represents a key methodological element in the tradition of CIPE research and will be described more closely specifically within this context in the following. To summarize the core differences outlined above, Table 7.1 provides a juxtaposition of the contrasting methodologies of a critical rationalism and CIPE/critical realist paradigm.

Concrete Methodologies in CIPE

One abstraction at a very high level in CIPE is the material, transhistorical necessity that human beings have to (re)produce themselves, find shelter, and so on, which then also provides the basis for the production of art, sciences, and so on (Sayer 1992: 140f; Bruff 2011). The way this is organized in a society is grasped by the abstract concept of the *mode of production,* which is based on productive forces and social relations of production which are considered to be dialectically interrelated categories. While the term *productive forces* refers to the sum of all technologies which allow human society to dominate and transform nature for their own purposes, *social relations of production* refer to the societal organization of the labour process which implies the transformation of nature. This societal organization is usually characterized by ruling and by subaltern classes who perform different tasks, are related dialectically, and are characterized by specific power relations. Hence, a concrete mode of production such as capitalism in a specific place and time represents

Table 7.1 Contrasting methodologies

	Critical rationalism	CIPE (Critical realism and historical materialism)
Ontology	Atomistic, rational actors	Complex social reality
	Law-like regularities	Context dependent hierarchies and processes
	Linear or cyclical assumptions about history	History as open-ended and contingent, focus on social change
Epistemology	Positivist, subject-object distinction, truth claims through universally valid knowledge	Post-positivist, reflectivist, understanding of "reality" mediated through abstraction (knowledge as social/historical product)
Analytical strategies	Causal inference, falsification of hypotheses	Conceptualization, ladder of abstraction (iterative), dialectical
Theory	Parsimonious	Complex
Method	Statistical analysis, modelling, content analysis	Historical method, interpretative, discursive
Expectations and purpose of research	Value-free, objective, predictive	Emancipatory, science as social practice

a historically specific abstraction. With regards to IR Van der Pijl (2007: 16f) has introduced the concept *modes of foreign relations* which can be used as an abstraction alongside the mode of production to analyse in particular the relations between communities. Within specific historical modes of production and modes of foreign relations, certain general tendencies and mechanisms operate. At an even more concrete level of abstraction it has to be analyzed under which specific conditions those tendencies inherent to such a mode of production and mode of foreign relations materialize. Therefore, a synthesis of tendencies and conditions which form a specific conjuncture is required. This is facilitated by using and developing further concrete abstractions. Finally, this analysis enables us to explain concrete events and phenomena within specific conjunctures as illustrated below for the case of the European crises.

In line with this dialectical methodology also on an abstract level, CIPE tries to combine agency-oriented/subjectivist as well as structuralist/objectivist/systemic perspectives by overcoming the distinction between both. This is very much different from critical rationalism which is built on formal logical reasoning where explanation is either based on subjectivist or on structuralist perspectives (or at the best a duality of both). Marx tried to combine both dimensions, which is well expressed in his famous statement: "Men make their own history, but they do not make it as they please; they do not make it under self-selected circumstances, but under circumstances existing already, given and transmitted from the past" (Marx 1973 [1852]). Marx thus referred to the "logic" of the capitalist mode of production (a more structuralist dimension) and to the role of class struggle at the same time. In line with this, critical realism deals with the structure/agency question in a very pragmatic way: The structure at the point of time T_0 is considered to provide the basis for agency which then reproduces but also changes the structure at T_1. This modified structure then is the basis for agency again. The combination of both dimensions, however, turns out to be more difficult in the case of more concrete abstractions and theories. On the one hand, a world systems approach tends to have a strongly structuralist perspective, underestimating the role of subjectivity and agency. On the other hand, neo-Gramscian perspectives tend to focus on the role of classes and class agency for the struggle about hegemony. While the former theoretical approach might dismiss the role of agency, the latter might tend to overlook the "weight" of structures, and hence be to some extent misleading about, for example, actual room for manoeuvre for agency. Therefore, it is important to be aware of the specific limits of each concrete perspective.

In the field of CIPE a broad range of abstractions exist to analyse capitalist modes of production and IR within contemporary modes of foreign relations, in order to grasp the manifold phenomena and processes which are objects of research (Overbeek 2012). Accordingly, for the analysis of different aspects of IPE certain abstractions may be more appropriate than others. For example, in order to understand historical long-run dynamics of global core and periphery relations a world systems approach may be a useful abstraction to start (Arrighi 1994). In case that the research focus is on the role of transnational capital in shaping specific regulations at the level of the European Union a neo-Gramscian perspective might be more adequate (Van Apeldoorn et al. 2008). This means that certain abstractions are not per se better than others, but rather more adequate for specific questions. Moreover, given the critical realist methodology it is also clear that specific abstractions can only capture certain aspects of reality, and hence, other more concrete abstractions may be seen as complementary and dialectically related. In this regard, the world systems approach or a neoimperialist perspective (Petras and Veltmeyer 2013) can be seen as an abstraction at a higher level than, for example, the regulationist approach or dependency theory. The latter, in the tradition of Cardoso and Faleto (1979) may turn out to be very useful to analyse in a more concrete form the interrelated dialectics of external and internal economic and political forces and processes. In addition, insights at a more concrete level can also be obtained by incorporating in a transdisciplinary way insights from other sciences. Moreover, empirical facts documented within the context of mainstream research paradigms can also be used, but they are interpreted within the critical realist methodology and therefore within abstractions considered more adequate.

In a similar vein, insights from post-critical political economy should not be dismissed beforehand, but can shed light on additional relevant aspects for critical analysis, and as such can be seen as complementary to CIPE. However, such perspectives tend to be problematic if used without a substantial connection to critical political economy (Browning and Kilmister 2006: 193f). Two particularly interesting debates for CIPE approaches have emerged with post-structuralist and feminist political economy. A particularly important, if somewhat "troubled" engagement is the discussion between CIPE and feminist political economy approaches (e.g. Waylen 2006), in particular on the role of social reproduction and gender rather than class as key vectors of power and exploitation in capitalist social relations. Feminist interventions in CIPE have shown clearly how social reproduction should be considered a key dimension in, for example, discussions of financial structures and debt (Roberts 2012). With their focus on the discursive constitution of political economy, and social reality in general, post-structuralist approaches have also made important contributions to a more comprehensive understanding of power in contemporary capitalism (and indeed questioned established discourses in mainstream IPE itself). Rather than concentrating on the deconstruction of discourse, as Bieler and Morton point out most CIPE approaches would however generally rather "address the question as to *why* a certain set of ideas, rooted within these material relations, dominates at a particular point in time" (Bieler and Morton 2008: 123, emphasis added).

Conjunctural analysis here might serve as a useful example for the comprehensive and holistic outlook of CIPE methodologies. Focusing on the complex interplay between social forces, cultural and technological change and ideological currents against the background of historically specific economic structures at a particular given moment, i.e. a *conjuncture*, conjunctural analysis facilitates studying this moment as articulation, crystallization and sedimentation of specific social power relations (see e.g. Jessop 2008: 44, 126f). The ideological currents and alliances between social forces carrying specific conjunctures are not considered stable or monolithic, however, rather they are seen as open-ended developments that can fracture and become instable. For a concrete blueprint as to how to apply a concrete conjunctural analysis, see, for example, the work by Marta Harnecker on Latin-American development (Rauber and Harnecker 1996), as well as the discussion on the crisis in Europe below.

With regard to rendering CIPE methodology fruitful for social scientific research, it is important to highlight the diversity and pluralism with regard to actual research *methods* that can be employed. In contrast to neoclassical economics and positivist social science, CIPE approaches, while methodologically sound and coherent, put their main focus not on the actual methods as such, but rather on the subject matter of analysis. Empirical observations can be generated through methods ranging from e.g. historical/archival research, document analysis, various forms of interviews, descriptive statistical analysis, social network analysis, etc.

A crucial dimension of CIPE methodology is also constituted by the firm and fundamental commitment to emancipatory perspectives inherent in critical approaches and also represented by the language applied (Sayer 2005). As Worth points out (Worth 2011: 362), critique is here based on the three dimensions of social critique, critical knowledge and emancipation as cornerstones of social enquiry. This commitment to emancipatory thought requires the researchers to conduct their analysis in accordance with the goals and ethical/moral position of critical social science and with regards to expressed and exploited parts of society. Cox's (1981) distinction between critical and problem solving theories is indicative here, in particular the focus on putting the existing social order in question, rather than contributing to reproducing it. As such, CIPE approaches are not more or less normative than other theories—it is rather a question of being more open and explicit of methodological claims about value and purpose of social scientific research because the theoretical possibility of value-free research which is postulated in positivist traditions of philosophy of sciences is dismissed and therefore value claims are made explicit.

Applying CIPE Methodology: A Conjunctural Analysis of the EU Crisis

As Ryner argues, CIPE perspectives—contrary to mainstream approaches in European integration studies—in all their diversity have made crucial contributions to uncovering the structural changes and historically specific social and politico-legal power relations that have engendered the crisis (Ryner 2012, 2015). The analysis of the manifestation of the contradictions and underlying crisis tendencies of the European project in the economic, financial, political and social crisis from the late 2000s onward is an example for how CIPE approaches have been fruitfully employed in such a critical tradition. That is, with a focus on developments in Europe not to reinforce the latent Eurocentrism in IPE, but rather because CIPE perspectives can actually make it very clear how important it is to understand Europe as a process of uneven development that is part and parcel of the global trajectory of capitalism.

As pointed out above, the methodological approach in CIPE is based on the attempt not merely to contribute to problem solving within a given societal structure. On the contrary, the aim is to overcome exploitative social structures and to empower the socially weak and subaltern classes in order to end up with a solidaristic (and ultimately class-less) society which facilitates a good life for all. Within the context of the European crisis CIPE is not concerned primarily with factors which may help to return to the pre-crisis status quo, but rather tries to understand why crises in capitalism happen and under which circumstances living conditions for the majority of people and the underprivileged classes in particular can be sustainably improved. Hence, the European crisis is analyzed as a phenomenon within a specific historical mode of production and a specific mode of foreign relations. In analyzing the crisis, there is an organic division of labour between different CIPE scholars focusing on different aspects by using different abstractions at more concrete levels. A conjunctural analysis of the economic crisis is also a core part of articulating a coherent alternative to current political projects, that is, in order to assess cracks and openings for alternative or counter-hegemonic projects and left strategy (Jessop 2012). In order to provide such a comprehensive conjunctural analysis necessary for providing insights for emancipatory strategies, findings of different CIPE scholars have to be combined. Aiming at understanding the complex European reality some scholars focus on Europe's economic and political position within the global political economy and the relations to the still dominant US capitalism (Cafruny and Ryner 2007) and the particular role of Germany within Europe (Cafruny 2015) by adopting a neo-Gramscian perspective. Others focus on the interaction of the German-centred productive system and the inner-European periphery in order to grasp the specific economic tendencies and contradictions which arose within the neoliberal mode of development within Europe by using adapted regulationist perspectives (Becker and Jäger 2012), and also by incorporating elements of dependency theory at a lower level of abstraction (Becker et al. 2015). Those perspectives which tend to focus more on economic mechanisms and draw on insights from post-Keynesian perspectives (Jäger and Springler 2015) are complemented by abstractions which focus on the role of dominant transnational classes within Europe, and their role in shaping the neoliberal nature of the process of European integration and neoliberal crisis management (Van Apeldoorn 2013). The focus on different (class) agents, the impact of the crisis on them and their projects and strategies are subjects of analysis of another group of CIPE researchers who focus on those groups in general (Buckel et al.

2012) or on marginalized and subaltern classes in particular (Wigger and Horn 2014; Clua-Losada and Horn 2015). In the concrete social struggles currently taking place against EU-mandated austerity in Europe, the importance of conjunctural analysis for a comprehensive formulation and articulation of sustainable and feasible alternative strategies, and the question in how far social science can contribute to this, Hall's statement seems particularly pertinent: "Look, Gramsci, the Italian Marxist, believed in pessimism of the intellect, optimism of the spirit. You must look at what's happening now. [..] Analyse the conjuncture that you're in. Then you can be an optimist of the will, and say I believe that things can be different. But don't go to optimism of the will first. Because that's just utopianism" (The Guardian 2012).

Conclusions

The key to progressive politics, as Jessop argues (2012), requires "a new collective movement and the connection of multiple conjunctural analyses of the concrete situation in specific spatio-temporal contexts". With regard to the concrete application of CIPE methodologies, and in the light of broader debates about critical social theory vis-à-vis mainstream approaches, as this discussion has shown conjunctural analysis as briefly indicated here is necessarily an interdisciplinary endeavor, and hence in itself resisting the increasing specialization and sanitization of academic disciplines.

The complex methodology of CIPE approaches defies the atomistic and mechanistic understanding of social reality that is still pervasive in social sciences. Through the emancipatory and normative commitments of critical social theory, researchers have to actively reflect on their positioning and ethical dimensions of their research. The thorough (and dialectical) process of abstraction and use of key categories such as mode of production, class struggle and social change as outlined above then facilitates a comprehensive and concrete engagement with the underlying social power relations in any given conjuncture. Social science here does not constitute an abstract process isolated from the object of study, but rather has to be seen as social practice. As Marx famously formulated in his 11th thesis on Feuerbach, "the philosophers have hitherto only interpreted the world in various ways; the point is to change it" (Marx and Engels 2011 [1845]). In line with this, methodology in CIPE not just aims at a better understanding of the world but contributes to social struggles and transformations which lead to a solidaristic society.

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8

Development and the Outer Periphery: The Logic of Exclusion

Robert Fatton Jr.

The concept of "development" has traditionally entailed the notion of improving the collective well-being at both the national and international levels. In its conventional version it has also implied an inevitable progression of poor and "backward" nations towards the "advanced" and mature model of capitalist modernity embodied in affluent Western liberal societies. This perspective goes as far as to announce a new world "convergence" between a stagnating or declining West and a rising "global South" (Birdsall 1998; Starrs 2014). A critical theory of "development," however, must seriously challenge this notion. It is not only that critiques have questioned the analytical value of a unilinear understanding of history (Fukuyama 1992; Huntington 1996), but also that they see "development" itself as no longer desirable, let alone a feasible project (Escobar 1995; Rist 2008).

While economic growth has occurred in many regions of the world, and at phenomenal rates in East Asia and China, vast areas in Africa, Asia, and the Caribbean have remained stagnant and indeed have seen a decline in the living standards of their population (Hyden 2006, pp.16–17). In short, some critical questions must be asked of the process of "development" that has unfolded over the past half century. Is "development" possible *for all* in the globalized capitalist economy, or is it bound to occur only in some zones at the expense of others (Kaplinsky 2005)? Simply put, can "development" be universal and ultimately does it face the unyielding and inherent polarizing contradictions of capitalism?

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It appears that at the dawn of the 21st century, dominant policymakers and international organizations have, without acknowledging it, abandoned the idea that development is for all. The Millennium Development Goals adopted by the United Nations (UN) are no longer heralding an era of economic convergence, but rather the modest objective of reducing and ultimately eliminating extreme poverty in the destitute areas of the world (Sachs 2005; Easterly 2006, pp. 123–127). At the same time, these goals are deeply rooted in the neoliberal beliefs in globalization's positive contributions to the overall process of development. And yet, while the neoliberal global regime of the past 40 years has reduced poverty in certain areas of the world, notably in China, it has caused obscene inequalities and an increasing marginalization of large segments of humanity (Oxfam 2015; Piketty 2014; Therborn 2013). This regime has paradoxically integrated the world economy at an unprecedented level while simultaneously unleashing a systemic logic of exclusion and expulsion (Sassen 2014).

The logic of exclusion has created an outer periphery, a new zone of catastrophe that differs from the three other areas of the world economy—the core, the semi periphery, and the periphery (Amin 1974; Baran 1957; Frank 1967; Wallerstein 1979; Fatton 2014). The dramatic accentuation of global inequalities has provoked the division of the periphery into two strata, the traditional stratum of peripheral states, and the newer lower stratum of the outer periphery. The outer periphery is the zone of generalized inequities, extreme poverty, and ultra-cheap wages where the manufacturing sector is insignificant and declining, and where politics offers a simulacrum of electoral "democracy" under the tutelage of a self-appointed "international community." This zone has been devastated by the "scourge of neo-liberalism" (Bourdieu 1998, p. vii.), and is often besieged by wars, natural disasters, regime change, and foreign occupation. It comprises more than a dozen nations in which the evisceration of state capacity is pervasive, zero-sum politics dominant, life-chances deeply unequal, and sovereignty virtually non-existent.[1] The dominant paradigm defines these countries as "failed states" (Collier 2007; The Fund for Peace 2012).

The concept of the "failed state" that informs much of the current political science literature is based on 12 key indicators that primarily measure the decay of internal conditions. Moreover, this reigning analytical perspective posits that those decaying internal conditions are the very cause provoking

[1] The countries I have in mind are the following: Haiti, Somalia, the Congo, East Timor, South Sudan, Chad, Afghanistan, Yemen, Central African Republic, Côte d'Ivoire, Liberia, Sierra Leone, Niger, Mali, Burkina Faso, Guinea, Guinea–Bissau. Countries as diverse as Iraq, Nigeria, Syria, Mozambique, Malawi, and Libya have in varying degrees some of the characteristics of outer peripheral states, and could very easily fall from semi peripheral to outer peripheral status.

foreign military and economic interventions. Thus, according to the failed state paradigm, when societies are acutely dependent on foreign assistance and reliant on external peacekeeping operations, it is because of their own domestic incapacity to provide material well-being and security for their citizens (The Fund for Peace 2012). That these societies' domestic incapacity might instead be the product of pervasive interferences and manipulations of their political economy by neoimperial institutions and powers is never considered. In the name of a fictional cosmopolitanism, conventional wisdom sings the praises of humanitarian militarism, neoliberal rationality, and non-governmental governance (Hobson 2012). The dominant paradigm remains silent, however, on the realities of imperialism and its collusions with small and reactionary local elites.

Unlike the conventional wisdom, the framework developed here sees the disintegrative characteristics of the outer periphery as more externally induced than internally determined. This is not to say that local structures, history, and culture are unimportant, but rather that since the ascendancy of neoliberalism and globalization, they have been overshadowed by the power of foreign military, economic, and "humanitarian" interventions. These interventions have protected overt and covert patterns of economic extractions manifesting themselves not only in extensive legal land grabbing, but also in shadowy financial transactions. For example, in a report for Global Financial Integrity Dev Kar and Devon Cartwright-Smith have estimated that between 1970 and 2008 "Africa lost US$854 billion in cumulative capital flight—enough to not only wipe out the region's total outstanding external debt but leave US$600 billion for poverty alleviation and economic growth" (2010, p. 18). In fact, Kar and Cartwright-Smith contend that these staggering flows are grossly understated, and when they adjusted their calculations for the underestimation "total illicit flows from Africa over the period 1970–2008 more than doubled from US$854 billion to US$1.8 trillion" (p. 19). Moreover, while "failed state" theorists concentrate their analysis on the "misgovernance" caused by the corruption of local politicians, foreign economic operatives engineer the overwhelming percentage of illicit financial flows from Africa. As Kar and Cartwright-Smith explain, while "the proceeds of bribery and theft by government officials" represent "about 3 percent of the global total," the proceeds of "commercial tax evasion, mainly through trade mispricing, are by far the largest component, at some 60 to 65 percent of the global total" (p. 1).

There is thus a deep irony here: the complete dismissal by conventional social scientists of dependency theory at the very moment when outer peripheral countries are showing patterns of dependence that are significantly more pronounced than in the heydays of the theory. For instance, Goran Hyden, a leading figure of Africanist political science, continues to blame the pre-modern, anti-capitalist "economy of affection" for the continent's plight while acknowledging that if "African economies were ever dependent, it is now" (Hyden 2006, p. 226).

Moreover, there are clear indications that African and other countries of the outer periphery are not merely dependent; in reality, they have become quasi trusteeships of the international community. In the outer periphery, external military forces are the ultimate enforcer of public order, international financial organizations are in charge of economic policies, and a plethora of foreign non-governmental organizations (NGOs) seek to alleviate the population from further destitution. To illustrate the analysis, I will explore the cases of Haiti and a few sub-Saharan African societies.

The outer periphery is principally located in sub-Saharan Africa and has outposts in the Caribbean and South East Asia. It is at the extreme lower end of the production process of the world economy. This zone is characterized by a wage structure that barely assures the biological reproduction of the individual worker, let alone of his or her household. Wages are not only ultra-cheap; workers often fail to receive them in full. For instance, in a 2013 report, the Worker Rights Consortium has found that in Haiti "garment factory owners … routinely, and illegally, cheat workers of substantial portions of their pay, depriving them of any chance to free their families from lives of grueling poverty and frequent hunger" (Worker Rights Consortium 2013, p. 3). In fact, the International Labour Organization (ILO) and the International Finance Corporation (IFC) that monitor the activities of the major retailers and apparel brands operating in the country reported that "*every single one* of the country's 24 export garment factories was illegally cheating workers of pay by failing to comply with the country's legal minimum wage" (Worker Rights Consortium 2013, p. 3). The Consortium estimated that "the majority of Haitian garment workers are being denied *nearly a third* of the wages they are legally due as a result of the factories' theft of their income" (Worker Rights Consortium 2013, p. 3). This pattern of systematic wage theft means that "the actual wages paid to Haitian garment workers are *substantially below* the legal minimum wage and leave workers with incomes that are *dramatically short* of what they and their families need to meet the daily costs of an already impoverished existence" (Worker Rights Consortium 2013, p. 5).

In spite of these ultra-cheap wages, outer peripheral countries remain a zone dominated by extremely high rates of unemployment and a vast informal sector. For instance, while conventional wisdom is portraying a "rising Africa" (Perry 2012; The Economist 2011) because the region has experienced relatively solid levels of economic growth over the past decade, the reality is that for a significant number of states collective growth performance from 2000 to 2013 has been an abysmal –0.45% (Englebert and Portelance 2015, p. 4). Moreover, for sub-Saharan Africa as a whole, whatever economic growth may have occurred has failed to improve the employment opportunities of the vast majority of the population. The rate of informal and undeclared work, or what the ILO calls "vulnerable employment" is estimated at "77.4 per cent in 2013, which is the highest rate of all regions"(International Labour Organization 2014, p. 68).

This dismal state of employment is symptomatic of the virtual absence of a manufacturing sector in the outer periphery. As the International Labour Organization has explained:

> [In Sub-Saharan Africa,] the share of industry in GDP … decreased slightly, from 30.7 per cent in 1991 to 29.7 per cent in 2011, but the share of manufacturing decreased significantly in this period, from 16.7 to 11.1 per cent. In terms of employment, the share of workers in industry in Sub-Saharan Africa, which is estimated at less than 10 per cent, is extremely low. In all other regions this share is at least 20 per cent, and in the case of East Asia it exceeds 30 per cent. (International Labour Organization 2014, pp. 68–69)

Not surprisingly, while over the last decade the fight against *extreme* poverty may have had some success in reducing the share of the population living on less than $1.25, "over a longer time period, this rate has barely moved, hovering over 40% since the 1980s" (Hauge 2014, p. 2). In fact, as Jostein Hauge explains, "poverty rates remain dismal". Raising "the poverty line to $2 a day gives more startling results. In sub-Saharan Africa, this rate barely improved—from 72% to 70% between 1981 and 2010" (Hauge 2014, p. 2). The outer periphery is not only besieged by conditions of scarcity, it is also plagued by political systems that are nothing but a simulacrum of representative democracy in which fraudulent elections are more or less regularly held. In fact, electoral times in the outer periphery are always times of crisis and uncertainties because of the extreme weakness of state institutions. Struggles over the composition of the electoral council, the financing of parties, and the ultimate results are typical of these times. The outer periphery suffers from pre-election, election-day, and post-election crises (Young 2012, pp. 212–217; International Crisis Group 2014; Johnston and Weisbrot 2011). This triple crisis usually ends with international mediation between the parties, systematic patterns of bribery to assuage losers, and in some instances foreign powers simply "select" the victors. Except for the winning bloc, domestic political forces seldom perceive these elections—financed and certified as "free and fair" by outside powers and "pro-democracy" organizations—as fully legitimate (Dufief 2014). Regimes emerging from such flawed processes can hardly serve as effective vehicles for the establishment of any genuine accountability; they are bound to generate popular unrest and recurring cycles of instability.

For instance, since its "democratic transition" in 1991, Mali was considered a paradigmatic case of good governance and institution building; and yet, the whole edifice collapsed in March 2012 when the army led by the American trained Captain Amadou Sanogo overthrew the elected government of Amadou Toumani Touré (BBC 2013). The fall of Touré was not, however, surprising, as Malian "democracy" was ultimately a fiction invented by French imperialism and international supporters to hide the realities of widespread corruption, dubious elections, and regional discontent (Rousselier 2013). Eventually the political, cultural, and religious grievances of the Tuareg in the north erupted in a violent conflict that was soon internationalized. Paradoxically, the NATO-engineered regime change in Libya culminating in Colonel Gaddafi's murder (Campbell 2013; Sidibe 2013) contributed to strengthening the separatist Tuareg rebels in their fight against the central government in Bamako (Whitehouse 2013). Identifying with Islamic fundamentalist organizations, the separatists became the inevitable target of the "war on terrorism" unleashed by Western powers. In January 2013 the French government deployed some 3,000 troops to squelch the Islamic rebellion. The political transition of April 2012 from the Sanogo military junta to a handpicked interim civilian regime headed by Dioncounda Traoré legitimized the French intervention. Mali is now an occupied territory with little sovereignty; a UN Mission in Mali (MINUSMA) has taken over and peace negotiations seem to be unending failures (International Crisis Group 2014). Mali, however, is far from being unique; it has simply joined the outer periphery.

The loss of sovereignty is the most extreme symptom of the total emasculation of state institutions. This emasculation is no accident; it is the result not only of an internal *politique du ventre* (Bayart 1993; Fatton 2002), but also of more than three decades of destructive neoliberal policies imposed by imperial forces (Harvey 2005). The subordinate incorporation of the outer periphery into the world capitalist economy explains not only why it had little choice in accepting the most extreme versions of neoliberal discipline (Roberts 2010), but also why it failed to attract any significant productive capital investments. What James Ferguson writes about sub-Saharan Africa applies to the realities of the outer periphery: "Capital does not 'flow' from New York to Angola's oil fields, or from London to Ghana's gold mines; it hops, neatly skipping over most of what lies in between. Second, where capital has been coming to Africa at all, it has largely been concentrated in spatially segregated, socially 'thin' mineral-extraction enclaves…. Capital is *globe-hopping*, not *globe-covering*" (Ferguson 2006, p. 38).

Outer peripheral nations are thus simultaneously integrated into the world capitalist system and marginalized from its main process of capital accumulation. The "discipline" of privatization, state withdrawal, and market "rationality" unleashed on them by neoliberalism has had little positive impact on increasing capital investments in their economies. In fact, if foreign direct investment (FDI) in Africa reached a record US$80 billion in 2014 (Stevis 2014), it left virtually untouched outer peripheral African nations, as most of this FDI was concentrated on a handful of predominantly resource-rich countries. Thus, the extraction of natural resources from the continent is driving the upward trend in FDI. In fact, in "2013, resource-rich countries accounted for 95% of the increase in FDI to Africa… [For the same year], the top six recipients, representing one third of the continent's population, received the same amount of foreign direct investment as the remaining 48 countries together" (African Development Bank 2014, pp. 52–53).

Moreover, the growth in FDI has failed to generate any sustained pattern of industrialization. In fact, the manufacturing value added (MVA) of exports has declined from 12.8% in 2000 to 10.5% in 2008 (Rowden 2013, p. 3). The continent remains utterly marginalized in terms of manufacturing trade, "its share of global MVA has actually fallen from an already paltry 1.2 percent in 2000 to 1.1 percent in 2008… In terms of exports, Africa's share of global manufacturing exports rose from 1 percent in 2000 to only 1.3 percent in 2008" (Rowden 2013, p. 3).

Capital invests in outer peripheral regions only in so far as they are *des zones utiles*, territories containing strategic commodities and natural resources. The African experience, however, demonstrates that industries in these sectors are not "generating the employment opportunities that would allow the majority of the population to share in the benefits. This is in marked contrast to the Asian experience, where the growth of labour-intensive manufacturing has helped lift millions of people out of poverty" (The African Development Bank Group 2012, p. 13).

Thus, while the outer peripheral states are integrated into the circuits of the world capitalist economy, they are at the very bottom of the chain of production; starved of capital investments and confined to the margins of the margin of the system, they are the wasteland of globalization. In reality, globalization has failed to generate the "win-win" situation that its supporters expected. While it has produced a few major "winners," principally China and a handful of East Asian nations, it has created a large number of "losers". As Raphael Kaplinsky has pointed out: "China's success … squeezes out the opportunity for many other low-income producers to gain from globalisation. This is a direct consequence of systemic overcapacity in the global economy"

(Kaplinsky 2005, p. 162). In other words, the inherent contradictions of capitalism causing on the one hand “overproduction” in the middle of vast pools of poverty and unemployment, and on the other hand a massive surfeit of capital amidst huge areas of extreme investments scarcity, fuel inequalities and in turn constrain global consumption. (Kaplinsky 2005, pp. 162, 230–231). The ultimate result is “a race to the bottom in real incomes”, especially for the outer periphery (Kaplinsky, p. 197).

International financial institutions have aggravated these systemic difficulties by compelling the outer periphery to deregulate its markets and privatize its public assets and services. The outer peripheral state has thus been eviscerated and can no longer fulfil its basic social and redistributive obligations (Duffield 2007, pp. 32–65). In the process, omnipresent international NGOs have filled the void left by its absence. Not surprisingly, local rulers are hard put to enforce their rule and establish their sovereignty over the territory that they allegedly control. And yet, the dominant failed state theories of development tend to ignore the devastating impact of the world capitalist economy on the outer periphery.

Failed states are allegedly the product of their own backward traditional cultural norms, corruption, and “irrational” anti-market policies (Harrison 2006; The Fund for Peace 2012). Not surprisingly, for this perspective failed states tend to generate conflicts, ethnic violence, and political chaos all of which can degenerate easily into civil wars. In fact, in the dominant paradigm, failed states are the new “barbarians” who need civilization from “successful” states (Brzezinski 1993; Kaplan 1994). In the eyes of the Fund for Peace, “[it] is critically important that the international community … be prepared to take the necessary actions to deal with the underlying issues or otherwise mitigate the negative effects of state failure” (The Fund for Peace 2012, p. 11). Not surprisingly, the so-called international community is charged with guiding the further integration of failed states into the world capitalist economy so as to bring to such states the norms of bourgeois culture and the institutions of “good governance” that are required for modernity (Fearon and Laitin 2004; Rawls 1999, pp. 79–81, 93, 106; Keohane 2003, pp. 275–298). In this vision, the failed state’s metamorphosis into an efficient state is thus a matter of liberal, political, cultural, and economic engineering (International Commission on Intervention and State Sovereignty 2001).

Thus, in the eyes of theorists of the failed state, failed societies must jettison their “backward looking” norms and embrace “modernity” and its triad, the “rule of law”, liberal democracy, and the “open market” economy. In turn, this transformation is impossible without the full cultural, economic, and military intervention of a Western-led international community. Stephen Krasner, the former Director of the Policy Planning Staff at the US Department of State under the George W. Bush administration and a Professor of Political Science at Stanford University, put it bluntly:

> Left to their own devices, collapsed and badly governed states will not fix themselves because they have limited administrative capacity, not least with regard to maintaining internal security. Occupying powers cannot escape choices about what new governance structures will be created and sustained. To reduce international threats and improve the prospects for individuals in such polities, alternative institutional arrangements supported by external actors, such as de facto trusteeships and shared sovereignty, should be added to the list of policy options…. [M]ajor states or regional or international organizations could assume some form of de facto trusteeship or protectorate responsibility for specific countries, even if there is no general international convention defining such arrangements. In a trusteeship, international actors would assume control over local functions for an indefinite period of time. They might also eliminate the international legal sovereignty of the entity. (Krasner 2004, pp. 86, 119)

Such undertaking is more likely to succeed in countries suffering from a systemic crisis produced by the shocks of major conflicts or catastrophic natural disasters. As Paul Collier puts it: "The normal condition for a failing state is to be stuck, as bad policies and governance are highly persistent. Postconflict situations are the major exception: they are failing states, but change is relatively easy. This suggests … treating postconflict situations as major opportunities" (Collier 2007, pp. 72–73). In a paradoxical way, Collier echoes Naomi Klein, one of the most vocal opponents of globalization, who argues that in any society, the introduction of extreme forms of neoliberalism always follows a military or natural shock of some kind (Klein 2007). In other words, any type of major catastrophe disorients the public and facilitates the imposition of unregulated forms of capitalism.

While it is true that the aftermath of wars and disasters offers great opportunities for the spread of capitalism, there is nothing new about this pattern. Since its inception, capitalism has both benefited from, and fuelled violence. The two are related symbiotically; their union becomes even more devastating when the market is left to its own devices. The unregulated market of globalization moves the world economy "back to the future" of 19th century European and American civilization. We are once more entering in the Polanyian "stark utopia" of the "self-adjusting market;" a utopia that cannot "exist for any length of time without annihilating the human and natural substance of society" (Polanyi 1944, p. 3). Capitalism inflicts and thrives on violence; it has never been implanted spontaneously, or without massive coercion. Moreover, its inherent tendencies provoke social polarization and massive inequalities (Piketty 2014).

Over the past 40 years the dramatic accentuation of world inequalities has aggravated the conditions of acute poverty that have contributed to the creation of the outer periphery in the first place. In a Briefing Paper, Oxfam reports that "In 2014, the richest 1% of people in the world owned 48% of global wealth, leaving just 52% to be shared between the other 99% of adults on the planet. Almost all of that 52% is owned by those included in the richest 20%, leaving just 5.5% for the remaining 80% of people in the world. If this trend continues of an increasing wealth share to the richest, the top 1% will have more wealth than the remaining 99% of people in just two years". Moreover, according to Oxfam the wealth of the world's richest 80 individuals "is now the same as that owned by the bottom 50% of the global population, such that 3.5 billion people share between them the same amount of wealth as that of these extremely wealthy 80 people" (Oxfam 2015, pp. 2–3).

Africa has not escaped this global wave of growing inequalities; its Gini index "has widened over the [period 2006–2012] and is hardly better than it was in 1980" (The African Development Bank Group 2012, p. 3). The continent "remains one of the most unequal regions in the world…. Of the ten most unequal countries in the world in 2010, six were in sub-Saharan Africa" (The African Development Bank Group 2012, p. 13). Economic growth when it has occurred at all has had a marginalizing and exclusionary effect. Not surprisingly, after interviewing 51,605 ordinary Africans of 16 countries between 2003 and 2013, Afrobarometer discovered that for most of them the "Africa's rising" metaphor was more myth than reality. In fact, the evidence suggested that an overwhelming number of Africans continued to experience "lived poverty" in spite of governmental and international claims that poverty was declining and economic growth was vibrant. Dulani, Mattes and Logan, the three authors of the Afrobarometer brief, concluded that this "suggests either that growth is occurring, but that its effects are not trickling down to the poorest citizens … or alternatively, that actual growth rates may not match up to those being reported" (Dulani et al. 2013, p. 1).

The harsh discipline of neoliberalism has spread worldwide, but it expresses its most extreme logic of exclusion in the outer periphery. This logic simultaneously integrates territories into its global orbit in order to extract resources while expelling people from the benefits that this very extraction generates. This modern version of "primitive accumulation" takes its paradigmatic form with the growing phenomenon of "land grabbing" which is particularly aggressive in sub-Saharan Africa (Sassen 2014, pp. 96–97). It is estimated that between 2006 and 2011 some 134 million hectares of African arable land were "denationalized" and acquired by foreigners (Sassen 2014, pp. 96–97). The sharp 2006 rise in food prices, the growing demand for industrial crops, and the search for quick profits generated this massive land grabbing led mainly by oil rich Middle Eastern nations, China, and financial speculators (Sassen 2014, pp. 116; Liberti 2013).

Land grabbing effects a new spatialization of state sovereignty placing large territories of the outer periphery under the direct control of alien powers (Carmody 2013, pp. 44–46); it imposes a type of foreign-imposed enclosure that comes into conflict with the interests of small peasants and undermines local food security (Sassen 2014, pp. 80–116). Land grabbing is ultimately a process of eviction of people and their means of economic and cultural production. As Saskia Sassen explains: "these large-scale land acquisitions have produced a global operational space that is partly embedded in national territories. They produce a partial denationalization deep inside nation-states, a structural hole in the tissue of national sovereign territory…. [Land acquisitions by foreigners] partly disassemble national territory" (Sassen 2014, pp. 115–116).

Thus, once again, as in colonial times, powerful economic interests are disassembling the outer periphery; they are targeting it as a source of extraction for fuel, food, and cheap labour, and finding in local rulers a new class of collaborators. In fact, these rulers are either selected or co-opted by imperial forces for their ideological allegiance to the discipline of neoliberalism. They are in turn rewarded for this allegiance; for instance, in 2008 the World Bank and the International Monetary Fund hailed Blaise Compaoré for setting Burkina Faso "on the road to good economic governance and thus effective fight against poverty" in spite of his long authoritarian reign which eventually collapsed in 2014 under the weight of massive popular protests (Jaffré 2010, p. 3). Moreover, the clear indications that he orchestrated the assassination of his revolutionary predecessor Thomas Sankara and that he nurtured the brutal atrocities of Charles Taylor in Liberia, did not stop a Franco-Burkinabé organization comprising influential French politicians to seek the Nobel Peace Prize for Compaoré (Jaffré 2010, p. 4). Sustained in power for 27 years by very dubious elections and a series of French governments, Compaoré was ultimately abandoned by his foreign patrons who facilitated his exit into exile.

Compaoré's saga is the typical outcome of the acute crisis of legitimacy originating from electoral simulacra organized by imperial forces to parachute to power emasculated, unpopular, and unaccountable governments. Both opportunistic support of unpopular despots and calculated withdrawal of such support characterize the pattern of imperial interventions. Outer peripheral rulers of whatever political and ideological stripe are never fully assured of the continued support of their powerful foreign patrons. So for instance, Jean-Bertrand Aristide, the popularly elected President of Haiti was overthrown in a bloody military coup in September 1991 with the complicity of the US CIA barely seven months into his first Presidency; three years afterwards, on the strength of 20,000 US marines he was returned to his office (Dupuy 2007; Fatton 2002). Re-elected in 2000 in controversial elections, Aristide was unable to complete his second presidential term as he suffered the indignities of another forced exile engineered by local elites with the significant imperial assistance of the USA and France (Dupuy 2007, Fatton 2007; Hallward 2007). Thus the rule of outer peripheral leaders ultimately rests on the strategic whims of the "international community". This fact betrays the simple reality that the outer periphery is a geographical space occupied and managed by "peacekeepers" and NGOs of the self-appointed international community. Promoted by the international financial institutions (IFIs) as the substitute of corrupt and failed states, NGOs have become an unwitting part of the neoliberal "assemblage of occupation" engaged in "nation-building" (Duffield 2007, p. 27).

Such attempts at nation-building have produced neither stability nor prosperity; they are symptomatic of imperial "take-overs" that unleash massive political dislocations and economic destruction. This outcome is symbolic of a reckless international community which assumes little responsibility for the damage it inflicts on the outer periphery. This recklessness is evident in the dismissive reaction of the UN and US courts to the cholera epidemics that the *Mission des Nations Unies pour la Stabilisation en Haïti*, (MINUSTAH) introduced into Haiti (Higgins 2012). The epidemics killed more than 8,000 Haitians, but the UN claimed against overwhelming evidence that "it was impossible to establish the origins of the disease"; in fact, it ignored the findings of its own consultant, Dr. Daniele Lantagne who concluded that the "most likely" source of the cholera was a barrack lodging Nepalese soldiers of MINUSTAH (Higgins 2012). Not satisfied with the UN's response, human rights groups filed a suit against the world organization only to have it dismissed by US District Judge J. Paul Oetken (Al Jazeera 2015). The UN can thus behave irresponsibly and recklessly without fear of punishment.

Not surprisingly, UN's military missions tend to be unpopular with the very people they are supposed to protect. Most Haitians see MINUSTAH as an occupying force rather than a peacekeeping contingent; in fact, Jessica Hsu, a US researcher, working in the coastal town of Abricots in the Grande Anse, found out that local fishermen had given MINUSTAH the name of an invasive species of lionfish that depleted Haitian waters of many indigenous species. The fishermen likened the multinational MINUSTAH forces to the lionfish because "*yo gen anpil koule e yo dezod anpil*"—they have many colours and they are extremely destructive (Hsu 2011).

In contrast, imperial powers find UN missions in the outer periphery quite useful and effective in policing the disorder that their interferences and interventions created in the first place. For example, MINUSTAH was the vehicle used by the USA to "pacify" Haiti in the aftermath of President Aristide's forced departure from office in 2004. While US and French troops initially filled the vacuum created by Aristide's departure, neither Washington nor Paris was willing to play a praetorian role for the medium or long term. MINUSTAH was thus called to fulfil the strategic interests of the USA.

In a 2008 cable publicized by Wikileak, former Ambassador Janet A. Sanderson stated that without MINUSTAH "we would be getting far less help from our hemispheric and European partners in managing Haiti" (Wikileaks 2008, Djems, O. 2012, Perelman, 2012). Moreover, Sanderson noted that if MINUSTAH were to leave Haiti, it could lead to "resurgent populist and anti-market economy political forces—reversing gains of the last two years" (Wikileaks 2008). Finally, she emphasized bluntly the vital strategic role of MINUSTAH, which "is an indispensable tool in realizing core USG policy interests in Haiti…. There is no feasible substitute for this UN presence. It is a financial and regional security bargain for the USG…. The U.S. will reap benefits from this hemispheric security cooperation for years to come…" (Wikileaks 2008).

It is not just that imperial nations find it useful to manipulate UN peacekeeping forces to their advantage; in fact, they have asserted their unilateral right to determine whether the "international community" and its "machinery of occupation" should intervene in peripheral and particularly in outer peripheral states. Such interventions span a spectrum ranging from saving lives in the case of disaster relief, or "terminating them with extreme prejudice" in "shock and awe" invasions, to "regime change" and targeted electronic drone killings. The point is that core nations have the capacity to exercise ultimate sovereignty over individual human beings of the outer periphery.

For instance, the USA with the complicity of the Haitian government has the legal right to patrol Haitian waters and compel any Haitian on the sea to return to his country. By imposing the most extreme form of neoliberalism on already poor and dependent societies, the core of the world capitalist system has created its antithesis, an outer periphery, a zone of catastrophe and suffering from which it now seeks protection. Imperial nations are thus driven to shield themselves from the chaos and human debris that they themselves engendered in the outer periphery. They, thus, unfolded a containment strategy against the "surplus population" of "boat people", refugees, and asylum seekers of the outer periphery. Unlike capital, which moves without restrictions across borders, a "cordon sanitaire" provided by the international community's "machinery of occupation" prevents the free circulation of people. This machinery patrols the outer periphery from within and enhances the core's capacity to stop large migratory flows of immigrants at the source itself.

This patrolling is part of a wider imperial strategy of containment. On the one hand the "barbarians" must be kept at bay, and on the other hand they must be the soldiers imposing on their territories an alien imperial order. The imperial core seeks thus to advance its military goals and minimize its casualties by training and using local forces. It is in this perspective that must be understood the establishment of the "Africa Command" (Africom) in 2008. As Dan Glazebrook explains: "The small number of US personnel actually working for Africom—approximately 2,000—belies both the ambition of the project and the threat it poses to genuine African independence.… The US soldiers employed by Africom are not there to fight, but to direct; the great hope is that the African Union's forces can be subordinated to a chain of command headed by Africom" (Glazebrook 2012).

At the moment, however, outer peripheral armies are feeble, corrupt, and incapable of effective patrolling, let alone waging successful counterinsurgencies. Not surprisingly, French troops with the logistical support of the US military become the means of last resort in case of imploding West African polities. For example, the US facilitated the French intervention in Mali in 2013 by providing air tankers to refuel French airplanes bombing al-Qaeda-affiliated rebels (Associated Press 2013). Similarly, in their regional struggle against Islamic militants, France and its West African satellites can now count on the "newest outpost" of US "empire of drone bases" located in Niger (Whitlock 2013). Moreover, as long as local armies remain unprepared for the defence of the imperial order, "special operations forces" will supplant them. While shrouded in the typical secrecy of "national security", special operations have been deployed "at near record levels" in the past few years. As Nick Turse has reported, for the fiscal year 2013–2014 these special forces were "deployed to 133 countries—roughly 70% of the nations on the planet.… This capped a three-year span in which the country's most elite forces were active in more than 150 different countries around the world…" (Turse 2015, p. 2).

This pattern of imperial interventions takes multiple forms ranging from outright military occupation to "humanitarian" deployment, from regime change to forced elections, and from "duty to protect" to "nation-building". It has unleashed a strict neoliberal discipline and a machinery of occupation over the weakest low-wage areas of the world. The ultimate result is the creation of the outer periphery, a zone of emasculated states under the governance of the "international community" and its occupying assemblage of "peacekeepers" and NGOs. Relegated to the role of export-oriented enclaves, which are confined to ultra-cheap labour in extractive activities or the clothing and textile sector, outer peripheral territories are at the margin of the world capitalist economy; they are the debris and wasteland of neoliberal globalization. By embodying the extreme outcome of the logic of exclusion that governs the world capitalist economy, this wasteland is the spectre haunting the more affluent zones of the global system as it shows them the potential bleakness of their own future.

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9

US Foreign Policy from a Critical International Political Economy Perspective: Capitalist Empire and the Social Sources of Grand Strategy

Bastiaan van Apeldoorn

Introduction

In the summer of 2002 a senior advisor to George W. Bush, less than a year before the fateful invasion of Iraq, tried to explain to journalist Ron Suskind that while the latter was part of the "reality-based community", from the perspective of the Bush White House things looked differently because:

> That's not the way the world really works anymore …. We're an empire now, and when we act, we create our own reality. And while you're studying that reality … we'll act again, creating other new realities, which you can study too, and that's how things will sort out. We're history's actors … and you, all of you, will be left to just study what we do (Suskind 2004).

Almost a year before, and just a month after the 9/11 terrorist attacks leading neoconservative intellectual Max Boot (2001), made "the case for American Empire". The fact that the foreign policy of the George W. Bush administration was so explicitly, "in your face", imperialist, engendered not only a renaissance of neo-Marxist literature (to be discussed below), but also sparked a non-Marxist, and even more mainstream analysis and critique of US imperialism within the discipline of international relations (IR) (see e.g. Bacevich 2002; Mann 2003; Ikenberry 2004; International Studies Perspectives 2008).

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But while Barack Obama's conscious attempt to restore the USA's "soft power" has not really succeeded in improving the legitimacy of US policies in large parts of the world (Nye and Joseph 2012; Van Apeldoorn and De Graaff 2016: ch. 6), he has insofar been successful that at least in Western academic and media discourse the references to US empire and imperialism have again largely disappeared. Indeed, a few outspoken realist critics (e.g. Mearsheimer 2011) notwithstanding, the general tendency within academic IR does seem to be in line with the liberal view that Bush's neoconservative policies represented an aberration (Ikenberry 2004; see also Lake 2008).

From a critical political economy perspective, however (and neoconservative hubris aside), the imperialist nature of US foreign policy originates in the 19th century, and is likely to continue for quite some time into the current century. Also, while critical political economists might not always agree on whether the currently still liberal and US-centred world order actually amounts to something akin to an US empire (and even less so for how much longer it will last, e.g. Arrighi 2005a, b, and Starrs 2013), we might agree with Saull (2008: 311) that: "[t]he denial of empire (…) does not mean the United States is not imperial or imperialist". It is thus that this chapter critically discusses the literature in this area, focusing on those conceptualizations and empirical investigations from within Critical International Political Economy (hereafter CIPE) that seek to make sense of US *imperialism* (that is the conscious pursuit of empire), and hence of US foreign policy or "grand strategy", which can be seen as the general foreign policy strategy identifying its overarching ends. To identify US grand strategy as imperialist obviously does not mean that the USA seeks to acquire a *formal* empire. For the USA the ambition rather always has been, as William Appleman Williams wrote more than half a century ago, to create the "conditions under which America's preponderant economic power would extend the US system throughout the world without the embarrassment and inefficiency of traditional colonialism" (Williams 2009: 50).

But if the wish to extend the US system is what is behind the drive for an informal empire—which, its informal nature notwithstanding, as all empires, involves a set of hierarchical relations between the imperial state and "allied elites" in other states (Maier 2006: 7)—then what is the US system and what explains its expansionist impulse? From a CIPE perspective we can only make sense of contemporary imperialism if we relate it to the *social structures of capitalism*. More generally, the relations between states and the strategies of states must be seen as embedded within capitalist social relations, that is, as *internally* related to transnational structures of global capitalism, and as such shaped by concomitant social forces (Rosenberg 1994; Wood 2003; Van der Pijl 1998; Anievas 2014).

Somewhat surprisingly, however, within CIPE, geopolitics, including the role of US power and imperialism, is still a relatively neglected area of research, especially beyond the domain of theory. In as far as US imperialism is studied, it is often with a focus on the role of the USA and of US capital in the transnational structures of production, trade, finance, and money without analyzing how for instance US military supremacy helps to back up its economic and financial hegemony, and how America's foreign economic policies are inextricably bound up with its foreign and security policies more narrowly defined. Indeed, when it comes to analyzing public policy, most research by CIPE scholars, like that of the discipline of international political economy (IPE) in general, remains rather exclusively focused on the regulation of the capitalist (world) economy, leaving for instance "foreign policy analysis" to mainstream IR, as if there is no such thing as the political economy of foreign or defence policy. Questions of (military) violence and war thus tend to remain outside of the purview of much CIPE scholarship (on this point, see also Anievas 2014, which forms an important exception in this respect). However, as I hope this chapter will highlight, it is precisely from a critical political economy perspective that we can see how geopolitical conflict and geopolitical strategies are interrelated to the expansion and reproduction of capitalist social relations.

There is now in fact a growing literature on the part of CIPE scholars that seeks to fill this lacuna and take up these geopolitical questions. In this chapter I will discuss this literature with a focus on the still imperialist role of the USA, seeking also to develop a CIPE perspective on US foreign policy. This chapter is divided into two main parts. The first part will introduce the nature and history of US imperialism, discussing relevant literature along the way. Having thus introduced the object of study, I will then in the second part explicate a number of underlying theoretical debates, reviewing different conceptualizations of US imperialism, its social sources and the social forces involved in its making. I will argue why and how these approaches, notwithstanding their disagreements, offer a deeper and more comprehensive understanding of US foreign policy and grand strategy than conventional IR/IPE perspectives.

The Origins and Evolution of US Imperialism

Although the history of the USA is one of expansionism right from its early days as a settler colony, it took until the second half of the 19th century before the USA emerged as a fully-fledged *capitalist* imperialist power when "[u]nder the impact of the industrial revolution Americans began to search for markets not land" (LaFeber 1998: 407).[1] This then marked a gradual shift from territorial to *non*-territorial expansionism inasmuch as it became driven by the expansion of US capitalism, oriented towards the making of a global space of market relations. Yet, while many writers emphasize the "non-colonial", "non-territorial", or "informal" nature of US imperialism (Williams 2009; Stedman Jones 1970; Wood 2003; Smith 2003; Panitch and Gindin 2012; Van Apeldoorn and De Graaff 2016), it must also be stressed that non-territorial here does not mean the full transcendence of territorial geography. The paradox of US empire is that while aspiring to post-territoriality, it has not only been founded on a history of violent territorial conquest (Anievas 2014: ch. 4), but also that maintaining that empire involves the application of the coercive power of the state in order to assert or restore control over actual places and territories, with violence in the imperial borderlands arguably increasing as the empire extends further into the periphery and generates more resistance (Maier 2006: 116; see also Smith 2003; Layne 2006; Van Apeldoorn and De Graaff 2016)

As the USA rapidly industrialized it also, along with much of the rest of the capitalist world, suffered from a "Long Depression" inasmuch as the US home market could not keep pace with the expansion of US capital, that is to say that its industries produced more goods than the market could absorb. In his important (re)reading of Marx's *Capital*, David Harvey (1999) interprets such an economic crisis as a crisis of overaccumulation, which occurs when the profits made by capitalists can no longer be profitably reinvested. Imperialism may help to temporarily solve a crisis of overaccumulation (while avoiding more radical domestic reforms) inasmuch as it offers a "spatial fix" in which surplus capital becomes exported abroad to be absorbed by new investment opportunities created by the imperialist state (see also Harvey 2003).

Taking their cue from Harvey, Van Apeldoorn and De Graaff (2016: ch. 2) have interpreted the evolution of US imperialism as conditioned by recurrent crises of overaccumulation, and on this basis identified three "waves" of non-territorial expansionism: a first wave that took place in the wake of the Long Depression; a second wave that formed after the Great Depression of the 1930s and culminated in the *Pax Americana*, and a third one which developed in response to the economic crisis of the 1970s. As shown by work of revisionist historians such LaFeber (1998) and McCormick (1990) with regard to the first wave, the imperialist "solution" to recurrent capitalist crises did not just "present itself", but was actively formulated and promoted by America's newly rising corporate capitalist class, which was well aware that capital could

[1] This section draws upon Van Apeldoorn and De Graaff 2016: ch. 2.

not open and penetrate these markets by itself, but, in the words of one industrialist at the time needed "an intelligent and spirited foreign policy" to "see to it" that these foreign markets were indeed opened (LaFeber 1998: 20).

It is here, then, that in one important interpretation of US imperialism, we find the social origins of what Williams (2009), one of the founding fathers of the revisionist school in US (Cold War) history (Williams 2007, 2009) called America's imperialism of the "Open Door": an imperialism that from the start was premised on the "firm conviction, even dogmatic belief, that America's domestic well-being depends upon such sustained, ever increasing overseas economic expansion" (2009: 15).[2] As such the term Open Door goes back to the so-called Open Door notes of 1899 and 1900 of then Secretary of State Hay, which proclaimed the principle that America's "commercial rights" should not be undermined by any territorial partitioning of a then weak imperial China. In what has become the basis of much of America's foreign economic policymaking until today, US policymakers at the time recognized that given America's economic and industrial ascendency its industries could outcompete most of their competitors and conquer much of the Chinese market if it was thus opened up and, in today's business parlance, a "level playing field" would be created (LaFeber 1994: 221–2).

It was President Woodrow Wilson who further sought to globalize the Open Door and, with his call to "make the world safe for democracy", universalize its appeal—seeking to make it more hegemonic in a Gramscian sense (see chapters by Talani (Chaps. 5 and 12) in this book)—by articulating liberal ideals of freedom and democracy with the capitalist imperatives of economic expansionism (Smith 2012: 116–117; see also Anievas 2014: ch. 4). While Wilson's attempt failed, his liberal internationalist project was realized after 1945 outside the Soviet sphere in the form of a *Pax Americana* in which the USA became the guarantor of a liberal world order in which global capital in general and US transnational capital in particular could thrive.

While writers within CIPE as well as other radical and Marxist writers (e.g. Cox 1987; Gill 1990; Rupert 1995; Panitch and Gindin 2012) have tended to emphasize above all the financial and economic foundations of US power or "hegemony" in the post-war era—as expressed by the competitiveness of its multinationals, the reserve status of the dollar and by the Bretton Woods regime through which the new open world economy was to be managed—the military and militarist dimension of US imperialism should not be ignored

[2] This Open Door interpretation has subsequently been introduced into IR by neoclassical realist Christopher Layne (2006), but has also informed the understanding of US imperialism by several scholars within Critical International Political Economy (Colás 2008; Anievas 2014: ch. 4; Van Apeldoorn and De Graaff 2012b, 2014).

(Bacevich 2002, 2010). The role of the use of force, precisely when it came to pry and keep open (new) markets, became especially pronounced vis-à-vis the periphery, which suffered from an intensifying interventionism during (and even more so after) the Cold War, with the USA toppling, often democratic, regimes—such as Iran's Mossadegh and Chile's Allende—that did not wish to be "an extension of the American system", and installing more pliant local dictators (Kinzer 2006; Westad 2007).

The Neoliberal Era and US Grand Strategy After the End of the Cold War

US interventionism in what was then still called the Third World was further heightened during Ronald Reagan's administration, while the institutions of Bretton Woods—the International Monetary Fund (IMF) and the World Bank—were increasingly turned into instruments of neoliberal discipline (Westad 2007; Felder 2008), subordinating the Global South to US-centred global finance (Soederberg 2004). From the 1970s onwards, then, US imperialism took on an increasingly neoliberal form, interpreted by Harvey as a "new imperialism" in which the USA sought to solve a new crisis of over-acccumulation by forcefully exporting this surplus capital to the periphery through "the forcing open of markets throughout the world by institutional pressures exercised through the IMF and the World Trade Organization (WTO), and backed up by the power of the United States" (Harvey 2003: 181). According to Harvey this amounted to an "accumulation by dispossession" through the privatization and structural adjustment programmes of the "Wall Street-Treasury-IMF complex" (ibid.: 185).

The end of the Cold War and the implosion of the Soviet Union offered an enormous opportunity to US foreign policymakers for further expansionism as premised on capitalist market rule. What Van Apeldoorn and De Graaff (2016: ch. 4; see also Van der Pijl 2006: ch. 8) have identified as a "grand strategy of neoliberal globalisation" involved a relentless push for global marketization, opening up not just markets for trade and productive investment but also capital markets, liberating finance on a global scale and creating what the late Peter Gowan (1999a) identified as the Dollar-Wall Street Regime, which further entrenched US financial hegemony (see also Seabrooke 2001; Panitch and Gindin 2012). But, in the context of expanding NATO and renewing it as an instrument of US hegemony in a post-Cold War context, this latest round of US "non-territorial" expansionism, was accompanied by the increasingly regular use of force against the enemies of neoliberal globalization, a new form of imperial violence that reached a preliminary highpoint with the 1999 Kosovo war (Gowan 1999b; Van der Pijl 2006: 272–8; Cafruny 2003, 2009; Van Apeldoorn and De Graaff 2016: ch. 4).

The turn to a more bellicose imperialism became much more marked after 9/11 under the administration of G.W. Bush, which was filled by neoconservatives who welcomed the opportunity of the terrorist attacks to pursue a forceful foreign policy of seeking to further remake the world into America's own liberal capitalist image. Under the banner of the War on Terror arguably the most massive post-Cold War violation of the UN Charter took place with the invasion and occupation of Iraq. Harvey sees the rise of a neoconservative imperialism in the Bush years as the result of a "weakening on the inside" (Harvey 2003: 190) of neoliberal imperialism and involving a shift from consent to coercion, using the US military rather than primarily the IMF or Wall Street to open up foreign markets to US capital. Although Bush's blatant unilateralism and the neoconservatives' strong belief in the efficacy of military power marked a difference from the Clinton years, the neoconservative project in terms of (foreign) economic policies remained committed to a relentless neoliberalism in terms of a further opening and deepening markets and hence reinforcing the discipline of global capital over human societies (Harvey 2003; De Graaff and Van Apeldoorn 2011; Van Apeldoorn and De Graaff 2012a, 2016: ch. 3). Indeed, the Iraq war, critical political economists have argued, was in part about opening up the Iraqi economy to above all US business, while also seeking to maintain US hegemony in the Middle East by toppling a hostile regime sitting on top of huge oil reserves (Harvey 2003; Chibber 2008; Stokes 2009; Halperin 2009; Cafruny and Lehmann 2012; Van Apeldoorn and De Graaff 2016: ch. 5).

Indeed, while many writers have emphasized the distinctiveness of neoconservative imperialism as pursued by the Bush administration (from within a critical political economy perspective see especially Arrighi 2005a), others have also pointed out to the strong underlying continuities. Thus, prominent Marxist scholar Ellen Wood, argued that while the Bush doctrine may be insane it is a "madness firmly rooted not only in the past half-century of US history but in the systemic logic of capitalism" (Wood 2003: XVI), and as such represents "a distinctively extreme manifestation of the old strategic vision" (ibid.: 162; see also Callinicos 2003; Kiely 2005). While neoconservativism arguably ran too deeply into its own contradictions, and thus making way for a president who proclaimed to carry the flag of change, there has in fact been much continuity under Obama as well, not in the last place with regard to the use of force, with Obama in many respects having expanded rather than wound down the War on Terror, but also in other respects, as critical analysis by several authors has shown representing more continuity than change (Parmar 2011; Van Apeldoorn and De Graaff: 2016, ch. 6).

Now that we have reviewed the history it is time to explicate some of the underlying theoretical debates and controversies and see how we might best make sense of the nature and driving forces of US power from a CIPE perspective.

Theorizing Contemporary US Imperialism and Analyzing US Foreign Policy from a Critical International Political Economy Perspective

Conventional Approaches: Abstracting State from Society

In order to make a better case for a CIPE perspective on US power and foreign policy let us first take a brief look at how these phenomena are studied by more conventional approaches within IR and IPE. First there is the liberal and more specifically the liberal institutionalist perspective, according to which US post-war hegemony must above all be seen as benign inasmuch as the institution itself has created restraint in its own power, serving instead the long-term mutual interests of all liberal democracies (see especially Ikenberry 2001).

In addition to the obvious point that the benign nature of US hegemony is really a matter of perspective—it surely does not look so benign from the perspective of those being hit by drone-fired hellfire missiles for instance, or earlier of those who were bombed with napalm—theoretically the problem with the liberal perspective is the shallowness of its explanatory framework. Liberal theory tends to emphasize (economic) rationality, explaining foreign policy behaviour in terms of maximizing (absolute) gains but since they do not pay much attention to the unequal (relative) divisions of those gains either between societies or within societies, the role of power and power struggles tend to fall by the wayside. From a critical political economy perspective we can only understand state (public) power in relation to social (private) power and *capitalist* society—in contrast to the liberal or pluralist view of more or less equally powerful competing elites—is characterized by deep, fundamental power asymmetries rooted in capitalist relations of production. Moreover, liberals have a hard time to account for those "anomalous" periods—such as under G.W. Bush—in which the USA behaves in ways that liberals regards as counterproductive and unsustainable (Ikenberry 2004).

Similarly, from a neorealist perspective almost the whole of US foreign policy since the collapse of the Soviet Union looks like an anomaly, as the theory predicts a grand strategy of "offshore balancing", involving a minimization of overseas commitments (Layne 1997). Yet, prominent neorealists, such as Stephen Walt and John Mearsheimer, argue that since the Clinton administration the USA in fact pursues an opposite (and thus "irrational") strategy of what Christopher Layne (2006) calls "extra-regional hegemony", and have "united" with others (mainly conservatives and libertarians) "in our opposition to American empire" (Coalition for a Realistic Foreign Policy 2010). In sum, neorealists cannot explain contemporary US foreign policy with their own models.

Much more critical and much more compelling in terms of its underlying explanatory framework is the analysis of US grand strategy produced by neoclassical realist Layne, who does explicitly take "domestic" variables into account by drawing inspiration from the same "Open Door" revisionist school of US history discussed above. Yet while Layne compellingly argues how US grand strategy since World War II has been driven by a set of "economic and ideological concerns" defining the USA's national interests as creating a world "open to U.S. economic penetration" (Layne 2006: 30), these concerns are not further explained beyond arguing that US foreign policymakers have consistently held "Open Door beliefs". This then, as Van Apeldoorn and De Graaff have argued (2014: 32), fails to answer the fundamental question of what explains those beliefs, how for instance specific Open Door "economic and ideological concerns" might be related to particular historical social structures and social forces.

Neoclassical realism too, then, like all variants of realism, tends to abstract the state from society and therefore lacks an adequate conceptualization of how state policies can be linked to societal interests. In contrast to realism's narrow conception of state power as the accumulated material capabilities of the "state-as-actor", a critical (international) political economy perspective examines the *social origins* of that power as states are not ontologically prior to wider social relations (Cox 1981, 1987; Rosenberg 1994; Van der Pijl 1998, 2006; Teschke 2003; Anievas 2014; Van Apeldoorn and De Graaff 2016). What all of the conventional approaches to US global power miss then is the elephant in the room called capitalism. Although as I shall emphasize below, there is considerable variation and sometimes disagreement on important issues, what unites all Marxist and other critical political economy accounts of America's global role is that they recognize how it is rooted in the historical structures of US capitalism—as part of a global capitalism the USA has itself in part created—and how America's foreign policy is driven by the social forces engendered by those structures.

Making Sense of US Imperialism in the 21st Century

In contrast to the conventional approaches discussed above, Marxists and other critical political economists discussed below not only squarely identify the exercise of US global power as a form of imperialism, but also clearly identify this imperialism as bound up with capitalism. Thus Panitch and Gindin (2005: 103–4) define *capitalist* imperialism as "pertain[ing] to the role played by capitalist states in the spatial extension of the law of value and of capitalist social relations" (see also Wood 2003, cf. Harvey 2003). The latter definition does leave open the question whether the capitalist states operate as collective or whether imperialism still has "a nationality", leading at least potentially to inter-imperialist rivalry (compare the debate between Karl Kautsky and Lenin just before and during World War I; for a contemporary overview of these classical theories of imperialism see Callinicos 2009). A more extreme version of the former position, and one that seeks to entirely dispense with concepts like geopolitics and imperialism is represented by William Robinson(2007), who has argued that with the rise of a globally integrated transnational capitalist class (TCC) we witness the emergence of a transnational *global* state that transcends the notion of any distinct "national" interests as national states. From this perspective the US state is viewed a mere "pivotal gear" in a transnational state (Robinson 2007: 23), acting on behalf of unified global capital. Arguing that the USA possesses a de facto global monopoly of the legitimate use of violence, Robinson views the "US military apparatus [as] the ministry of war of the cabinet of an increasingly globally integrated ruling class" (Robinson 2004: 140). Yet, as Alexander Anievas (2008: 203) points out, "it is highly unlikely that the US government would ever go to war on behalf of any capital(s) outside its national domain". In other words, we have not yet transcended the interstate system, nor are we likely due to the uneven development of capitalism (Anievas 2014). Imperialism is hence still bound up with *particular* states, at least potentially opposed by other states.

The USA, like other states, holds on to its monopoly of the means of violence, for good reasons (at least from the perspective of the ruling elite), and arguably should be seen as acting less on behalf of global capital as a whole—even if performing essential functions for the reproduction of global capitalism—as on behalf of US transnational capital in particular (Van Apeldoorn and De Graaff 2012b; cf. Panitch and Gindin 2012). *Pace* Robinson, most writers in fact still identify a distinctly *US* imperialism driven by the interests of US (if transnationally oriented) capital. Following the aforementioned definition of capitalism imperialism provided by Panitch and Gindin we could argue that *US* imperialism must be viewed as pertaining specifically to widening capitalist social relations in order for *US* transnational capital to expand.[3] The US state, then, here must be seen as providing critical functions for its own capital. US financial hegemony, as bound up with the reserve status of the dollar, for instance, offers clearly benefits not only for the US state but also directly for US TNCs (transnational corporations) (Gowan 1999a: 25).

Other critical political economists do, then, identify the existence of an *US* imperialism. Yet these authors differ on the question of whether US imperialism is currently the only game in town or whether in fact we can observe several rival imperialisms. The latter view is most strongly represented by Alex Callinicos (2009), who views geopolitical rivalry as endemic to capitalism, and as having a relative autonomy. In contrast, Ellen Wood's analysis implies that the USA has no (even potential) geopolitical competitors left and notably makes the case that the USA is the "world's first truly economic empire" (Wood 2003: 128), by which Wood means that it "dominates the world largely by manipulating the economic mechanisms of capitalism" (2003: x). It is because of capitalism's unique capacity "to detach economic from extra-economic power" that "[c]apitalist imperialism can exercise its rule by economic means" and has been able to extend "the reach of imperial domination far beyond the capacities of direct political rule or colonial occupation" (Wood 2003: 5, 12, 21).

Wood's argument that the USA has created and still leads today an "Empire of Capital" offers a much richer conception of US global hegemony than for instance neorealism with its narrow focus on military power and national security, but while thus leading us to an understanding of imperialism as rooted in the expansionist drive of capital, her historical and theoretical essay does not really offer any theorization, let alone an empirical investigation, of how the interest of capital—for instance through a process of class formation and class agency—exactly "translate" into US foreign policy. Moreover, what is missing from Wood's account is an appreciation of the evolution of US imperialism, or how we can account for significant variations within an overarching continuity.

David Harvey (2003), like Callinicos, does put more emphasis on the presumed autonomous geopolitical dimension of US power, defining "capitalist

[3] Although Panitch and Gindin themselves rather tend to stress the benefits for global capital as a whole (on this issue see also Stokes 2005).

imperialism" as a "contradictory fusion" between a "capitalist logic" and a "territorial logic" of power, insisting that while dialectically intertwined these logics are also distinct (Harvey 2003: 27–30). Indeed, in the end it appears as if these logics are only externally related, which would be contrary to a historical materialist understanding in which the political and the economic are seen not as existing autonomously and then influencing each other, but as internally related, meaning that we cannot understand the one without the other. Here imperialism as a strategy pursued by state managers is interpreted as at least partly driven by the alleged "territorial" interests of the state, that is, to "to sustain or augment the power of their own state vis-à-vis other states" (2003: 27: see also Callinicos 2009: 84–5 for a similar argument). This kind of reasoning seems to move us away from a Marxist understanding of imperialism rooted in capitalist expansionism and more in line with a realist logic of anarchy forcing states to pursue power in order to survive. However, the historical record shows such a variation in state strategies that it is unclear what if anything this "systemic" logic can explain. In fact, Harvey seems to realize these limitations himself in his actual analysis devoting far more attention to the "capitalist logic", in particular, as we saw in the preceding section, explaining imperialism in terms of responses to crises of overaccumulation (see also Brenner 2006 for a critique of Harvey on this point).

In contrast to the more theoretically oriented nature of the literature discussed thus far, Leo Panitch and Sam Gindin's "political economy of American empire" offers a detailed historical account of US imperialism as involving the making and subsequent reproduction of global capitalism. In this interpretation, the main role of US imperialism is that of "superintending capitalism on a worldwide plane" (Panitch and Gindin 2012: 1). From this perspective they see little if any signs of (potential) geopolitical rivalry as the US empire of global capitalism apparently has successfully integrated the whole world, including China, which, they argue, in the process of this integration has only become more dependent on US markets (ibid.: 292–300; for a contrasting perspective see Arrighi 2005a, b; Harvey 2003; see also Stephen 2014).

Arguably the most important contribution made by Panitch and Gindin is their emphasis on the role of the US state as the maker of global capitalism and hence as a key author of globalization (as the state always plays an indispensable role in constituting and reproducing capitalist markets, Van Apeldoorn et al. 2012). Globalization is thus conceptualized as the product of an imperial project rather than as the outcome of myriad individual decisions by firms and households as mainstream economics would have it. Indeed, as President Obama's 2010 National Security Strategy—a key policy document—states: "globalisation is in part a product of American leadership and the ingenuity of the American people. We are uniquely suited to seize its promise" (White House 2010: 5). The latter also points to the fact, arguably insufficiently recognized by Panitch and Gindin, that while some states—above all the US—have been much more important for enabling globalization than others, some states—and above all the US—have also benefitted disproportionally (Schwartz 2010)—with the USA in the words of Sean Starrs (2013)—borrowing from Cox (1987)—still the most powerful state-society complex in the world.[4]

Striking, however, is that while Panitch and Gindin very much focus on the power of the US state, this analysis is entirely restricted to its central role in enabling, managing and steering global production and global finance, exercising its economic and financial power through its leading role in the governance of the capitalist world economy. Thus Panitch and Gindin state that the Treasury and the Federal Reserve have been much more important in the making of this empire than the CIA and the Pentagon (ibid.: VII), and indeed pay no attention whatsoever to either instrument of US power. In contrast to most other accounts of US empire—which stress that military power is an important instrument precisely for creating and maintaining a global capitalism, opening markets and preventing their closure (Bacevich 2002, 2010; Harvey 2003; Stokes 2005; Van Apeldoorn and De Graaff 2012b, 2016; Anievas 2014)—the world of US-centred global capitalism in their view is apparently one in which the role of the use of force, of violence, is epiphenomenal.

The question that Panitch and Gindin's account of US imperialism does not really answer is what explains America's international role as a maker of global capitalism. Panitch and Gindin (2013: 7) claim that it is incorrect, "to try to explain US imperial practices in aid of commercial interests merely in terms of capitalists imposing them on the American state", proclaiming the "relative autonomy" of the US state, but they do not analyse how exactly the imperial project of the US state relates to the interests of the US capitalist class. Ultimately, in order to see how state power is related to social power we need to analyse how the state, and how state managers, policymakers, are embedded within a certain social context, analyzing how, through agency, the structures of the state are connected to the social structures of capitalism. Next we will turn to an altogether not very large but growing literature on US foreign policy in which this agency is seen as emanating from concrete social

[4] Here Starrs (2013) measures US power above all in terms of its competiveness of its TNCs and their still dominant place within global production and ownership structures.

forces, in particular capitalist elites or hegemonic fractions of the capitalist class.

The US Capitalist Class, Elite Networks and State Managers

Adopting a critical political economy perspective means, we have argued, going beyond the realist notion of an autonomous state, abstracted from society and actually examining the social sources of state power. As critical state theorist Bob Jessop has argued, the powers of the state do not just derive from the state itself but in their realization depend "on the structural ties between the state and its encompassing political system, the strategic links among state managers and other political forces, and the complex web of interdependencies and social networks linking the state to its broader environment" (Jessop 1990: 367).

Thus linking state to (capitalist) society, *power-structure research* within critical sociology has in fact shown that there is a close nexus—in part through funding and directing think tanks and other so-called policy-planning bodies that play an important role in US public policy formation—between the US state and a corporate (power) *elite* which can be seen as that part of the capitalist class that directs the largest corporations (Mills 2000; Domhoff 1967, 2009; Mintz 2002). In addition, neo-Marxist and neo-Gramscian approaches to power have also drawn our attention to the role of class elite power in shaping US foreign policy.

A landmark study from the 1970s is that of Shoup and Minter on one of the oldest and most central foreign policy think tanks, the Council on Foreign Relations (CFR), which they argued to be an instrument of America's financial oligarchy, and to have played a critical role in planning US foreign policy from the 1930s onwards (Shoup and Minter 2004). Within CIPE, and specifically from within what has been called the Amsterdam Project within IPE (Van Apeldoorn 2004), Kees van der Pijl's earlier work on what he saw as a process of transatlantic class formation analyzed the role of the close links between on the one hand fractions of the US ruling class—allying with national capitalist classes in Western Europe—and on the other hand imperialist strategies of the US state (Van der Pijl 1984). Writing from a more explicitly Gramscian, transnationalist perspective—and following Robert Cox's view of US hegemony as an "outward expansion of the internal (national) hegemony" of the US capitalist class (Cox 1983: 171)—Stephen Gill (1990) has analyzed the role of a key transnational private planning body, the Trilateral Commission, whose US membership consists of both former and future top executives as well as senior government officials. A more comprehensive and historically rich account of how the CFR, closely interlocked with and funded by America's corporate elite, as well as foundations such as Rockefeller and Ford established by America's great business dynasties, have played a critical role in shaping America's global policies and in underpinning its transnational hegemony can be found in the work of Inderjeet Parmar (2004, 2012). But while adapting a Gramscian approach, Parmar focuses more on the role of ideas and elite knowledge networks without explicating the political economy dimension.

Empirically mapping the actual, personal links, between the state managers making US foreign policy on the one hand and America's corporate elite on the other, Bastiaan van Apeldoorn and Naná de Graaff (2014, 2016) seek to analyse the social sources of US grand strategy in terms of the corporate elite networks from which US foreign policymakers are often recruited or closely affiliated with. Specifically, employing the method of Social Network Analysis (SNA), this research shows how top foreign policy officials of the past three US administrations almost all have had several prior, top-level corporate affiliations—such as having sat on several boards of big US TNCs or Wall Street banks—and/or indirect corporate links through the so-called policy-planning world, which is closely interlocked with and funded by America's largest corporations.

Thus of the selected foreign policymakers—including the President and his senior staff, the secretaries of Defence, State and the Treasury—of the Clinton, G.W. Bush and Obama administrations, about two-thirds were found to have held (often multiple) prior top-level positions at often transnational, Fortune 500 corporations such as Boeing, Coca Cola, Chevron, Ford, defence giant Lockheed, as well as global financial institutions such as AIG, Citigroup, Fannie Mae, Goldman Sachs, Morgan Stanley, and J.P. Morgan Chase, or leading corporate law firms such as Covington & Burling, or at global consultancies such as McKinsey, selling their services to TNCs (Van Apeldoorn and De Graaff 2016: ch. 3). Thus for instance in the first Obama administration both Defence Secretary Robert Gates and Secretary of State Hillary Clinton were big corporate linkers who sat on respectively nine and six boards of, among others, Fortune 500 corporations such as defence contractor SAIC (Gates) and retail giant Walmart (Clinton).

Similarly, Van Apeldoorn and De Graaff found that more than two-thirds of selected top administration officials had prior ties with influential foreign policy think tanks and other private institutions that can be seen as playing a pivotal role in setting the agenda for US public policymaking, with the CFR, Rand Corporation and the transnational Trilateral Commission and the Bilderberg Conference found to be among the most central policy-planning bodies in the networks of the three post-Cold War administrations (ibid.).

The claim premised on these findings is that this embeddedness in corporate elite networks accounts for a socialization into the dominant worldview of the US corporate elite, and thereby helps to explain why US grand strategy—aimed as it has been at the creation, management and domination of a liberal world order in which (US) transnational capital can move freely and thrive, in short, the Open Door—has generally aimed to secure the long-term interests of this capitalist elite.

Conclusion

This chapter has argued that the central role the USA still plays in the contemporary global political economy can best be understood from a critical political economy perspective that views America's expansionist drive in terms of the expansionism of (US) capitalism and the need for a global hegemony to maintain a global capitalism in which, arguably above all US-domiciled, transnational capital can thrive. US imperialism is not something merely of a distant past, nor an aberration under G.W. Bush, but has been a constant of US foreign policy since the end of the 19th century. While conventional approaches in IR—in particular neorealism and neoliberalism—have a hard time explaining US expansionism, a CIPE perspective seeks to examine its *social sources* by analyzing how America's global role and the formation of a grand strategy that underpins it is related to the historical structures of capitalism and is shaped by concomitant social forces. While not all critical political economists fully agree on the nature and consequences of US imperialism—for instance disagreeing on the extent to which it is also driven by an autonomous geopolitical or territorial logic rather than viewing "the geopolitical" as internally related to capitalist social relations—all authors discussed here agree on the notion that we can only understand the role of the US state in relation to US capitalist society.

While a CIPE perspective, as this chapter has testified, thus offers a richer and deeper understanding of the nature and social origins of America's drive for informal empire, there is still only a limited critical literature that actually studies the *formation* and pursuit of the concrete set of foreign policies and underlying strategy through which this imperial drive is manifested. While the structural imperatives of capitalism are theorized to account for US imperialism, there is still only a modest body of empirical research on how exactly, and through which *causal mechanisms*, these structural imperatives actually condition the agency of the actors that plan and make US grand strategy—from strategists in think tanks to actual policymakers—and how in turn agents also shape the structural conditions for future actors. The role of agency is thus relatively underexamined, though some recent, studies have sought to examine the role played by (corporate) elites and elite networks in the *process* through which the long-term needs and interests of the US capitalist class are actually articulated and come to inform US grand strategy formation. However, this research programme is only just developing and there is clearly a need, if we want to better understand the role of US global power in today's global capitalism, for what we might call a critical political economy *foreign policy analysis*. Here we should seek to explain not only the deep historical continuities but also try to account for the significant variations within those continuities. Moving beyond theorizing US imperialism, we need to study empirically how and why the USA is pursuing the strategies it does, being equally attentive to its foreign economic policies and to its more narrowly geopolitical role, including its use of force. For instance, what would be a critical political economy perspective on the War on Terror? What explains the current war against the Islamic State? What are the strategic dilemmas the USA is facing vis-à-vis a rising China, and what determines how these dilemmas will be (temporarily) resolved, that is which strategy is ultimately pursued? This chapter has offered an overview of a growing and promising body of literature but thus ends with a call for much more research into the actual processes through which the USA's future imperial strategy will take shape as the America's liberal imperium is confronted with new challenges, and as structural power shifts may well harbour the beginning of its end.

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10

Being Critical About Security: What Critical Political Economy Says About Security and Identity

Everita Silina

> *The core contradiction at the heart of CSS was that of an emancipatory project which was to be led by the major powers and institutions tasked with maintaining (and expanding) the order of liberal market hegemony.*
>
> (N. Hynek and D. Chandler 2013: 50)

The field of critical security studies (CSS) emerged in the late 1980s as a self-declared emancipatory project in opposition to mainstream realism. The fall of the Berlin Wall ushered in a period of seeming glasnost among security scholars who long had felt sidelined by overly militarized, strategic and state-centric approaches. During the past few decades a number of diverse strands of CSS have developed. Indeed, the field has become so varied that arguably its unity is based only by self-proclaimed criticism of "traditional" approaches to security.

However, if there is a shared sense that the general CSS approach has facilitated a deeper engagement with the concept of security that had become progressively more narrow and restrictive during the Cold War it is nevertheless the case that attempts to demarcate the porous borders of the concept of security have now become the main intellectual battleground among the various "non-traditional" approaches. "Security" has always been a contested concept. The debates on the "deepening and widening" of the concept of security have failed to produce anything resembling a systematic and convincing account

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of the core meaning of the concept or its relationship to other concepts seen crucial for its articulation.

The focus on identity has been among one of the sharpest lines by which CSS has delineated its break with a "traditional" notion of security. Constructivist scholars in particular have highlighted the role that discourse and representations of identity play in security policies, drawing attention to its fluid and contested nature. Feminist scholars have also variously called attention to how gender identities construct and reinforce the global order and domestic systems of oppression and marginalization. But, here too, concrete achievements have been limited. The pre-occupation with discourses of identity, the politics of belonging, or the gendered nature of world politics belies the absence of deeper theorizing. Although a great deal of work has been devoted to understanding the link between identity and security, the link remains ambiguous and nothing resembling a theory has emerged. Indeed, the very emphasis on the fluid nature of identity can lead to a sense of ontological insecurity as a person's stable sense of self is eroded. This in turn can lead to a retreat into a more rigid identity.

This chapter seeks to transcend the bifurcation of the security debate between "traditional" realist approaches and "non-traditional" approaches. I call attention to the limited critical and emancipatory potential of the early CSS agenda as it was encapsulated in broadly individualist (human security/rights) and cosmopolitan (responsibility to protect) orientation to global realities. The main target of my critique is the merging of CSS with a dominant liberal approach to post-Cold War security dilemmas. The core of the critique is framed around the challenge still left unanswered by the bulk of CSS literature: the under-theorized relationship between security and identity. I argue that this merger did much to obfuscate the nature of the relationship and did so exactly at the time when the increasing spread of market economy and retreating welfare state were putting pressures on the ties between security and identity. I trace the problem to two specific weaknesses inherent in liberal thought itself: the presumed universal character of liberal values and the limited notion of power. Both raise serious doubts about the critical potential of the dominant liberal approaches and, hence, large parts of the CSS intellectual and policy agenda. I show that a deeper and more comprehensive critique of the concept of security requires a critical political economy (CPE) perspective. Such a perspective allows for a direct engagement with the structural forces that affect one's sense of security and hence mediate individual and group identity relations. By focusing, among other things, on repeating economic crises, the CPE approach lends itself to a mid-level theory-building that can explain the causal links between the rising economic insecurity and the growing phenomenon of narrow identity politics.

I begin with a brief overview of the emergence of CSS as a crucial part of post-Cold War security studies. Despite its heterodox nature and relatively recent appearance, the CSS approach has become among the dominant perspectives in the growing literature on the meaning of security as one of the organizing concepts of modernity. In the section "Power and Identity" I examine the alignment between the early CSS agenda and traditional liberal approaches to international security and conflict resolution. I draw attention to the fact that the shared emphasis on the individual as the main referent of security practices has undermined the critical and emancipatory aspects of CSS. This shortcoming is evident in the limited theorizing on the nature of the relationship between security and identity, despite the growing emphasis on identity in CSS's literature.

Finally, in the section "Critical Political Economy Approach to Security-Identity Nexus" I analyse the connection between security and identity from the CPE perspective and conclude that CPE offers a more critical contribution to security studies and a greater opportunity for theory-building.

Critical Security Studies

Emma Rothschild observes that the reconceptualization of security is a crucial task undertaken after the end of all great international wars when momentous changes in the international political configuration force a rethinking of the institutions that were the mainstay of the old order (1995: 53). What emerges from this active search for fresh foundations is a notion of security infused with a new set of self-conscious principles to guide the dawning era. The end of the Cold War marked the consolidation of the "critical turn" in security studies as scholars across disciplines seized the opportunity presented by the transformation of the external world. Various "dissident" approaches (Terriff et al. 1999: 112) were contesting the "traditional" strategic studies perspective of security that had dominated academic inquiry and international politics since the late 1940s.

Of course, security has always been a contested concept. To date the rise of critical perspectives on security from the late 1980s is somewhat misleading. The critique of realism and its state-centric vision of reality had its nascent beginnings in social movements of the 1970s, opposition to the Vietnam war, and in more general critiques of NATO's nuclear weapons policies (Rothschild 1995: 58). Peace studies scholars contested the possibility of meaningful security for individuals under the conditions that posited war as a natural condition (Baldwin 1996: 124). From these early beginnings, the main axis of opposition to "traditional" approaches to security was marked by a principled commitment to individual well-being as the primary concern of all scholarship and human endeavours.

Despite these earlier precursors, it is now common to see Robert Cox's 1981 essay as the crucial breaking point in the international relations (IR) discipline and as an inspirational moment for the CSS scholars who came into their own a decade later. His argument drew a sharp line under the dominance of empiricism of the preceding decades. Borrowing from the critical theory position of the early Frankfurt School, Cox outlined the difference between the positivist theories that approached reality as if it possessed concrete material attributes that could be observed and explained and the theories that are informed by a reflexive stance towards their "position in time and space, specifically social and political time and space" (Cox 1991: 128). This distinction between the "problem-solving" approaches and the "critical approaches" set up the dichotomy in security studies that largely persists today. CSS presented itself as a "critical" alternative to "traditional" security studies that had elevated a static, militarized and state-centric notion of security to the level of "hard" science subject to immutable logic of an anarchic international system and narrowly defined rationality of national security interests.

In contrast, CSS was openly normative and advocated for alternative organization of social reality, and hence, security relations. The early CSS scholars, most notably those associated with the "Welsh School", embraced the idea of critical social science in service of the normative goals of human betterment (Jones 1999). Many observed that the Cold War template for security, the preoccupation with external threats, and the defence of state borders did not address the actual lived experiences of most people who suffered from lack of minority rights, environmental protection, socio-economic underdevelopment, and health epidemics among many other more personal and immediate concerns.

In 1990, Ken Booth declared emancipation to be the spirit of the 21st century (321). In his plenary address to the British International Studies Association, Booth argued that, along with its normative stance, emancipation becomes the way to "loosen the grip of the neo-realist tradition" on the thinking and practice of security (321). For Wyn Jones, the critical approaches stand or fall by their ability to reveal the potential for "emancipatory transformation": "… it is critical theory's commitment to emancipation—understood as development of possibilities for a better life already immanent within the present—that provides the point of critique of the prevailing order" (1999: 28). At the centre of this emancipatory project was a return to the classical liberal notion of the individual as the measure of all value systems and practical undertakings. However, the liberalism that came to define the new world order in the 1990s has shed the national self-determination to which it was bound in the 19th century (Rothschild, 54). The adoption of this leaner version of liberalism removed the national political community (the state) from its role as the emancipatory agent and exposed a crucial weakness within a critical agenda of CSS.

As the opening quote suggests, this role was taken up by the dominant powers. In parallel with the debates in academic circles, the sovereignty of individual was advocated by policymakers at the national and international level who were engaging in their own redefinition of the parameters of security. "Liberal internationalism" became the animating spirit of new global institutions and their security agendas (Rothschild 1995: 54.). In 1994 the United Nations Development Program introduced the concept of human security in its annual report. A year later, the Commission on Global Governance issued a far more ambitious report on the state of global politics. Invoking a shared "global civic ethic", it argued that global challenges require a radical restructuring of international organization if they are to be effectively addressed (The Commission on Global Governance 1995).

Several heads of states and high-ranking dignitaries were seizing the moment to locate themselves at the head of the changing security scenario and set the agenda for a new principled foreign policy. Tony Blair in the UK and US President Clinton both made appeals to the new humanitarian century and to human security in their public statements (Rothschild 1995: 55). Norway and Canada restyled their entire approach to foreign policy to present themselves as global advocates of the human security agenda. UN Secretary General joined the chorus of voices calling for a refocus from "armed territorial security" towards a more inclusive and human-based perspective (Rothschild 1995: 56).

Yet the overlap between academia and the policy world went beyond mere coincidence in perspectives on the post-Cold War international order. Several scholars were playing a direct role in policymaking. The collaboration gave critical scholars access to policy formulation but it also declawed much of the critical agenda. The anti-statism of CSS and the belief that policymakers in Western capitals and in the UN or the EU corridors represented the emancipatory forces could only be maintained by turning a blind eye to the great power inequalities in the international system (McCormack 2009).

Power and Identity

The separation of the field of security studies into "traditional" and "non-traditional" approaches is a misleading simplification. As many have noted, the appropriation of the adjective "non-traditional" sets up "traditional" approaches as a straw man of unreflexive and uncritical perspectives on security (Hynek and Chandler 2013). E.H. Carr's critical version of realism is never mentioned, nor is his devastating critique of 19th century liberalism as a glossy veneer for blunt pursuit of self-interests by the stronger members of the international system (Carr 1964). In a dazzling move of uncritical thinking, liberalism, which is equally unreflexive about its own assumptions and social conditions it takes as given, was excluded from the "traditional" camp and hence from the critique. Instead, imported almost wholesale liberal/cosmopolitan values are presented as emancipatory.

Anti-statism and an uncritical adoption of liberalism as a global ethic betray a very limited notion of power—a direct coercive power of states. Liberalism obscures the power dynamics inherent in the global economic structures and hence makes invisible the relationship between economic pressures emanating from the international market onto states and via states onto individuals. The link between the power inequalities among states and the economic well-being of the individuals inside the state receives little analysis. Attention is focused on the inside of the state as the main source of individual insecurity. The "widening" of security concept to include political, economic, social, environmental, and cultural threats further extends the areas of domestic sphere that fall under potential scrutiny. Yet, as Catherine Schmittecatte shows, the new framing of security is guided by priorities of the more powerful. Emphasis is placed on freedom from fear (R2P, or Responsibility to Protect) but not freedom from want (Chandler 2011: 120). This makes the exclusion of liberalism from the early critiques more puzzling. Initially many CSS scholars were interested in deepening and widening the concept of security because they believed that the "traditional" approaches did not address the problems of real people suffering from various conditions of insecurity, neglect, marginalization, abuse, and social stigma. In his call for rethinking of security concept Booth argued that the definition of "emancipation implies an egalitarian concept of liberty". And, that "liberty without economic status is propaganda" (1991: 322). Liberalism is too complicit in structures of oppression to be left unchallenged.

Because the state is an artefact of power and domination it is stripped of its emancipatory role. Booth's observation captures the sentiment of the age, "Realist ethics are narrow and selfish, based on the power politics of place". He declares that "[t]his is contrary to human interests" (McCormack 2010: 7). Emancipation resides in the global liberal ethic and, for Booth, in "global community building" (1991: 324). A particularly significant role in this new "global neighbourhood" is accorded to global civil society actors who are seen as fostering and maintaining the global civic ethic (Our Global Neighborhood 1995). Seemingly, without any self-awareness global civil society is invested with only positive attributes. Though it is not stated explicitly, the assumption betrays the classical liberal view that civil society is a natural expression of individual needs and interests, a voluntary association of freely choosing individuals. It does not possess any coercive power other than the power of ideas. Along with the other post-sovereign forms of organization, it merely reflects naturally overlapping interests and values already shared by everyone. This depoliticizes the role of civil society and obscures the ways in which it makes the global neoliberal order governable (Amoore and Langley 2004).

This cavalier attitude is indicative of the confusion in CSS regarding identity. Focus on the "politics of belonging" marked an important expansion of security field, but the heterogeneity of approaches that cluster under the critical umbrella has prevented sustained engagement. In constructivist works, like Campbell's (1992) grand analysis of how the US identity was produced via writing of Cold War foreign policy, the focus has been on the bureaucratic process of categorization and *othering* (CASE Collective 2006: 453). Securitization literature introduced the concept of "societal security" (Waever 1993) but it is linked to existential threats and maintains the focus on state elites as the main actors in security-identity nexus. The turn away from realism requires renunciation of ethnocentrism encapsulated in national security agenda. A serious treatment of identity and nationalism and cultural conflicts is therefore non-existent (Farrands 2002: 24). Finally, the reliance on liberalism introduces a level of schizophrenia into the CSS treatment of identity. On one hand, many are convulsed by the "barbaric manifestation of identity politics" in the conflicts of the day (Jones 1999: 67). Liberal assumptions about harmony of interests see violent conflicts as an "aberration in social political life" (Thornton 2007: 10). Parochial attachments are an anathema to the emerging global public sphere. Anyone harbouring such perspectives is thereby categorized as outside the community of reasonable individuals (Our Global Neighborhood 1995). On the other hand, many CSS writers concede that local identities grant the newly individualized humans a sense of meaning, authenticity, and emancipation in an uncertain world (Booth 1991: 314–315).

The confusion takes on a new meaning when we consider that the many liberal instruments put in place to address global crises that stem from identity-based conflicts, such as Rwanda and Yugoslavia in the 1990s, entirely ignore the issue of identity. The R2P, for example, does not engage with the basic component of the crimes that it seeks to redress. It instructs the global community to take the responsibility of preventing genocides and mass atrocity crimes but says nothing about what defines the crucial identity groups, under what conditions identity markers become such deadly attributes, or how to rebuild societies that have gone through an ethnic conflict. Finally, while the R2P and other international instruments are seen as adding positive elements to the growing mutually reinforcing web of international law they introduce a crucial contradiction. Most international human rights conventions have an individual as their referent object. The Genocide Convention, the R2P and the mandate for the International Criminal Court ICC, on the other hand, are addressing groups and not individuals. This sets up a potentially contradictory normative ordering of the main referent objects of security. Without a proper engagement with the nature of identity, liberal human rights instruments cannot hope to settle the contradiction between these fundamental principles of political life.

The commitment to humans as ultimate referents leaves any group identity merely a residual category. In the words of Hedley Bull, human beings are the only registers of moral concern, "… permanent and indestructible in a sense in which groupings of them of this and that sort are not" (Booth 1991: 319). To me Rothschild's tour through the history of ideas offers a more nuanced view on the relationship. Security is an individual condition but "one that can only be realized in some sort of collective enterprise" (1995: 63). The CSS attitude towards identity is potentially very damaging to our understanding of security and the social scaffolding that supports it.

Critical Political Economy Approach to Security-Identity Nexus

The CPE approach shares many attributes with CSS. Since the 1980s both have responded to Robert Cox's call to replace the traditional problem-solving approaches to international affairs with critical approaches. However, CPE holds several advantages over CSS. First, it embraces a much more complex notion of power and, as a result, does not exclude liberal approaches from its critique. It recognizes that while states are dominant actors on the international scene and play a crucial role in determining individual security, our understanding of power and its effects on everyday life is not exhausted by simply looking at behaviour of state decision makers or by deconstructing the normalizing effects of statehood. CPE goes beyond the focus on the state to include other structures and actors in its critique and analysis.

At the same time, CPE is sensitive to the fact that all the rethinking and reorientation away from a state-centric approach to IR has not done away with dominant hierarchies in the international sphere. Power inequalities among the states remain an important driver of insecurity for the individuals living inside them.

By elevating the individual above all other referent objects of security, CSS has narrowed its critical potential. This move is based on a normative ordering that sees the individual as the only moral unit and conceives social groups, including identity-based groups, as purely derivative possessing no independent intrinsic value apart from serving the individual needs and interests. State is conceived as just such an artificial social unit endowed with a large amount of coercive power to discipline its subjects but no independent moral claims. As Jean L. Cohen observes, it is stripped of any normative significance or intrinsic value (2009: 349). Thus, in the emerging world order "sovereign equality" is to be excised from the protection of the international law. Such "moral reductionism", as Cohen (2009: 348) calls it, is unfortunate and dangerous. It wrongly cleaves the individual out of the very context, domestic political community, in which her political agency is possible (2009: 350). Because, at least in democracies, "the citizen is the referent of public power and of the constitutional principles (public law) regulating the exercise of sovereign power. … [i]nternal and external sovereignty entail each other" (Cohen 2009: 355). The individualization of international order upon the values of liberal cosmopolitanism renders already unequal state relations even more unequal by opening the domestic sphere of the weaker states to external scrutiny and interference. It also, in the process, undermines the moral worth of the democratically constituted subject. Far from empowering the individual person, CSS and liberal approaches contribute to the growing disenfranchisement of the marginalized and under-represented segments of global society and empty domestic democratic politics of substance without constituting an alternative model for the democratic legitimation. CPE offers critiques of a state-centric system but does not abolish the value of states altogether. By adopting a much more complex notion of power, it highlights the fact that power, including the power of the state, can be both enabling and disabling of individual and group aspirations. And by drawing attention to the structural elements of international liberal order, it reminds us that power inequalities among states have direct constitutive effect on autonomy and well-being of individuals.

But, perhaps, the most important advantages of the CPE approach is that it allows us to link macro and micro levels, in this case the global economic structures to the everyday experiences of individuals. The macro level analysis adds a crucial element to understanding the relationship between security and identity that is often missing from CSS. By studying the structural changes taking place in global economy CPE illuminates system level attributes that impact lives of everyone and alter the everyday choices of governments and individuals. Timothy Sinclair refers to this as the International Political Economy of the Commonplace (1999). It is in the everyday experiences that the contradictions and crises inherent in global liberal economic order most directly reveal themselves (Sinclair 1999: 158). The individual has no control over these crises. Ethnonationalist projects offer a way to reconcile personal sense of vulnerability and hence manage the contradictions that manifest in everyday life. Theorized in these terms, the CPE approach allows us to travel along the link between the daily experiences of individuals and the system level factors in both directions. "The only reason to understand the latter is to illuminate the former, but the former also reveals much about broad change" (Sinclair 1999: 165). For me, the focus on the interplay between the general and the particular gives us more than just an insight into the changes taking places in the global economic structures. It allows us to comment on the totality of economic and social relations; to chart global trends.

Though CPE offers an important insight into the link between insecurity driven by economic forces and the rise of sectarian conflicts, identity cannot be reduced to economic explanations. It is a far more dynamic and complex phenomenon. The argument sketched here is a general interpretation of a pattern. I do not aim to offer a covering law. But, I believe that even on these more humble expectations the CPE approach reveals more about the linkages between insecurity and identity than many competing explanations.

The Rise of Identity Politics

When we inquire into the relationship between identity and security, CPE grants us a perspective on the evolving historic conditions that have become characteristic of the modern neoliberal economic model. The Growing economic insecurity, or at least the fear of relentless competition, has been shadowed by an increasing appeal of identity politics in many countries. Since the late 1970s, the global capitalist structures have been undergoing major transformation, expanding geographically, commodifying every part of the daily life, and hollowing out states as sites of social control (Fox Piven 1995: 108). In Western democracies the liberalization of economies has undone the post-war compromise between the leading social forces. The economic security it had brought to the individual dimmed the importance of ethnonational identities of pre-war years. The demise of this system that underwrote the post-World War II political order both at the global and national levels has contributed to the return of right-wing politics in Europe, the US and the rest of the developed world. The Unceasing competition for jobs, the increased downwards pressure on wages of lower-skilled segments of society (for those who remain employed) and the shrinking of the welfare state combine to produce a state of constant and gnawing sense of insecurity. The persistent claim that "there is no alternative" to neoliberal economic policies and the shift in global discourses, which present them as merely technical responses to stagnation of the late 1970s, has done much to heighten the sense of a perpetual economic insecurity. There are the daily reminders of the need to constantly reinvent and re-educate oneself to be ready for whatever passing skills the competitive global market might need. There is a feeling that "anyone who does not actively change on his own will become a passive victim of changes draconically imposed by those who dominate the market" (Berman 1982: 94). Sinclair believes that this relentless "hypercompetitiveness reduces the propensity of individuals mentally to place themselves in the position of others" (1999: 161). The resulting individualization has not undermined all forms of collectivization, as he worries. As we can see from the right-wing party success in several European elections since the 2008 economic crash, the rising suspicion of minorities and renewed attack on immigration policies, group identities thought to have been weakened by the decades of peace and prosperity have come back to claim their relevance in the political sphere. Liberal commentators find the likes of Golden Dawn in Greece, UKIP in the UK and the Tea Party Movement in the US inexplicable and an embarrassing throwback to a bygone era. But, the growing inequality across Western democracies means that for many who feel uncertain about their future and who experience a real decline in the quality of life, identity politics remains a comfort (Fox Piven 1995: 111).

In Eastern and Central Europe identity issues have remained the part of daily politics since the fall of the USSR. Anthony D. Smith has ascribed this to the "ethnic" model of a nation that, he believes, exists in Eastern Europe and Asia (1991: 9). A refrain to ancient hatreds to explain the violent disintegration of former Yugoslavia was common among the CSS scholars also.

CPE offers a more complex explanation of why nationalism remains a popular ideology among many in the east of Europe. First, a longer historic view reminds one that, though relatively bloodless, the transition from state socialism to market economies was a traumatic process that generated a lot of anxiety for the people of the former Soviet bloc. Sudden disappearance of state mechanisms, wage and pension systems, housing and healthcare guarantees, and other prudential goods, left everyone uncertain about the future. "Shock therapy" the favoured policy used to characterize a set of massive economic reforms imposed by external actors on most Eastern European states resulted in enormous economic pain for almost everyone. To exacerbate the matters, Eastern Europeans joined global structures at the height of neoliberal transformation of the global capitalism. "Shock therapy" itself was a product par excellence of the new neoliberal agenda. Added pressures came also from the pre-accession agreements with the EU. Asymmetric power relations between the two sides in the negotiation process led to agreements that saw Eastern European markets opened for Western investments while the EU's agricultural sector, perhaps one area in which Eastern Europe could be competitive, was closed to Eastern products. In many places industrial base was bought up by foreign investors and gutted to ensure that local brands would not compete with international merchandise. When the Eastern states were finally allowed to join the EU, almost all Western European countries imposed bans on the free movement of peoples to prevent the expected masses of cheap Eastern workers from "flooding" across the borders.

Second, the competition for scarce resources fanned the ethnic grievances that lingered from socialist times. Ethnic groups looked upon the state as the mechanism to secure their economic well-being. Through tightly drawn property laws, narrow definitions of citizenship, and language barriers to employment, the new states could control the access to scarce resources and boost their own legitimacy at a time when they lacked capacity to play any meaningful socio-economic function. Everywhere a nation-state of one's own was perceived as the emancipatory agent. At the very moment when CSS scholars in the West were adopting an anti-statist model of security people in Eastern Europe were looking to the state to guarantee equality in international sphere. Even in Yugoslavia, the "new wars" were about: "the control of the state apparatus and its territory…." and "testif[ied] not to the disappearance of the state, but to its continuing importance" (Knudsen 2001: 362–363).

Finally, the financial crisis of 2008 left many Eastern European economies in shambles and exposed the massive contradictions at the heart of the "shock therapy" and the neoliberal economic policies. While foreign banks demanded their money back, the International Monetary Fund (IMF) and the European Central Bank recommended drastic austerity measures. In a desperate move, Latvia, by far the worst affected of all the EU states and facing bankruptcy, aimed to cut pensions by as much as 70%.[1] It was prevented from doing so by the national court. Austerity policies were eventually implemented in all states resulting in severe cuts to social provisioning and safety nets and massive lay-offs of workers. In 2014 growth figures were up again and many have declared that Eastern Europeans have put the crisis behind them. Yet, in 2013 and 2014, only Czech Republic had poverty levels lower

[1] Deutsche Welle. 12 June 2009. Latvia cuts pensions, salaries to avoid bankruptcy. Available [Online]: http://www.dw.com/en/latvia-cuts-pensions-salaries-to-avoid-bankruptcy/a-4320882

than 20%. Bulgaria's stood at almost 50%.[2] In 2014 Eurostat reported that over 40% of Bulgarians, around 27% of Romanians, 26% of Hungarians and 24% of Latvians experienced severe deprivation. By comparison, Greece, now the focus of concern, ranked 5th with 20%.[3] It is of little surprise that many in Eastern Europe find no solidarity with Greece. The feeling of common Europeanness has a hard time flowering in such an austere climate.

Bosnia-Herzegovina (BiH) has come close to disintegration and chaos several times since the end of the Yugoslav wars. The war of 1991–1995 left BiH in a far more precarious situation than any other of the former Yugoslav member states. The Ferocity of fighting destroyed its social fabric, and left the physical and economic infrastructure in ruins. The Dayton Peace Agreement sanctioned an unnecessarily complex, some would say, unworkable, political system. Ethnic cleavages have been cemented in a federal structure split between a Bosnian Muslim/Croat alliance and Serb entity of Republika Srpska. Achieving re-engagement among the Croats, Bosnian Muslims and Serbs under these conditions was always going to be a difficult task.

The CPE approach adds the necessary links between the lingering power of identity politics and the persistent economic insecurity in BiH and raises questions about the liberal models of state-building. A quick review of the recent history reveals an economic picture that has almost no silver lining. From the signing of the Dayton Agreement BiH seems doomed to malignancy. Like other former socialist states, BiH enters the international arena as an independent state at the height of the transformation of global capitalism. Under the Office of High Representative for BiH, Bosnia is effectively run by a cartel of international actors who use economic intervention to reconstruct the state. In line with the neoliberal policies of the day, the emphasize is on economic growth and budget rather than everyday economic issues like wages and employment. The nascent state has little active role in economic planning; much of the economic activity was invested in sub-state entities and private actors (de Guevara 2008). In the first ten years the tax collection is negligible. In 2005 the Indirect Tax Agency (ITA) finally gave the state some degree of control over revenue, though as de Guevara notes, most of it goes to repaying international loans and to central state agencies (2008: 377). As a result, the new state has a limited redistributive capacity and the bonds between the state and its citizens remain atrophied. The Informal economic networks built on familial/ethnic ties that can guarantee reciprocity stay unchallenged.

[2] Eurostat: statistics Explained. "People at risk of poverty or social exclusion". Available [Online]: http://ec.europa.eu/eurostat/statistics-explained/index.php/People_at_risk_of_poverty_or_social_exclusion

[3] Inequality watch. La pauvreté à travers les conditions de vie au sein de l'Union européenne. Available [Online] http://www.inequalitywatch.eu/spip.php?article199&id_groupe=17&id_mot=89&lang=fr

Following the 2008 global economic crisis Bosnia suffered through a double-dip recession. While the macroeconomic indicators have improved somewhat there is little change in general well-being. About 18–20% of the population is severely impoverished, and another 30% are estimated to be in danger of falling under the poverty line.[4] Unemployment is persistently high. After dropping to its lowest 39.03% in May of 2008, it rose steadily to 46.10% in February of 2013. In 2015 the unemployment averaged 43%.[5] Of particular worry is chronic youth unemployment, which has remained in high 50% and low 60% since 2010.[6] According to an international survey carried out by GlobalPost, in 2014 BiH had the highest youth unemployment rate in the world.[7] Youths are generally well-educated but the job market is feeble. Hence, the job opportunities are still strongly linked to family networks or emigration. Emigration, through remittances that are sent back home, however, reinforces the familial and ethnic economic ties. Recent accession negotiations with the EU offer hope to some that Bosnian economy and political institutions will improve (Babuna 2014; de Guevara 2008). But, the experience of other former socialist states should make us more circumspect. The accession to the EU will mean adoption of its neoliberal economic principles, which will entail the restructuring of the economy along a set of stringent "technical" requirements; the process is more likely to contribute to economic insecurity not ease it.

Under these conditions, the ethnic cleavages cannot be ameliorated. Ethnic ties and informal networks provide some well-being for individuals. For Bosnians, as for many in Eastern Europe, memories of economic security and stability of the socialist era exacerbate the sense of anxiety and isolation. Persistent economic insecurity has resulted in real social and political exclusion. Group identity, on the other hand, offers immediate inclusion into a shared narrative that is not premised on economic capital. This common narrative sustains an emotional link to a lost past, familiar social and physical landscapes (many now part of another country) in an otherwise uncertain world.

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[4] Rural Poverty Portal. Rural Poverty in Bosnia and Herzegovina. Available [Online] http://www.ruralpovertyportal.org/country/home/tags/bosnia_and_herzegovina

[5] Trading Economics. "Bosnia-Herzegovina Unemployment Rate". Available [Online]: http://www.tradingeconomics.com/bosnia-and-herzegovina/unemployment-rate

[6] World Bank. Data. "Unemployment, youth total (% of total labour force ages 15–24) modeled ILO estimate." Available [Online]: http://data.worldbank.org/indicator/SL.UEM.1524.ZS

[7] Velma Saric and Elizabeth D. Herman, "Why Bosnia has the world's highest youth unemployment rate?" Global Post. Available [Online]: http://www.globalpost.com/dispatch/news/regions/europe/141008/bosnia-youth-unemployment-rate

Finally, nothing obscures the narrative of identity as the pathologization of genocidal violence. In the context of Africa especially, irrational behaviour is portrayed among a long list of afflictions that torment the underdeveloped continent. Reflecting on why the Rwanda genocide went unnoticed in the Western press until the killings were almost finished, journalist Philip Gourevitch comments, "… what do Africans do in the American press? They die of miserable things" (Dawes 2007: 23). But, far from being a product of some particular local conditions, the Rwanda genocide was made possible by a long historic interference by external forces. The role of the colonial past has by now been well covered (Mamdani 2001). Here I want to briefly draw attention to a much more immediate set of constellations that prepared the ground for the violence.

Though land is scarce the soil is rich and since the colonial days Rwanda has based its economy on crop exports. By 1994, coffee had become the mainstay of Rwandan export-oriented economy. Isaac Kamola provides a detailed account of political economy of Rwandan coffee production (2007). It is a tale of the rise and fall of the International Coffee Agreement (ICA). Signed in 1962 the ICA was designed to concentrate control over coffee production in the hands of the US, Europe and larger coffee producing nations by keeping down the competition from cheaper African coffee growers through price control (Kamola 2007: 580). As land in Rwanda became scarcer due to the liberalization policies introduced in the 1970s and as coffee prices climbed to new heights, many Rwandan farmers turned large percentages of their farmland over to coffee production. Government policies were favourable to coffee growing and corruption sustained a vast patronage system. By the late 1980s when global coffee prices were high a large part of government budget came from the sale of coffee. Much of it was spent recklessly but it also allowed the government to exert a pacifying effect on rural famers by paying high prices for the coffee and keeping social unrest at bay (Kamola 2007: 582). In the early 1990s three crises undermined the delicate balance in Rwanda's economic relations. First, in 1989, under attack from international coffee importers and exporters and the new Washington consensus, the ICA was abolished. Coffee prices dropped by two-thirds in less than two months (Kamola 2007: 584). Second, in 1988 already struggling Rwandan economy came under the IMF and the World Bank's structural adjustment programs. Drastic devaluation took place in September 1990 and the second devaluation followed in 1992 (Omaar 1995: 20). Finally, the war with the Rwandan Patriotic Front (RPF) added another burden to a struggling economy by displacing nearly one million people, one-seventh of the population. The RPF occupied some of the largest tea plantations in the north, cutting supplies of the second highest export after coffee (Omaar 1995: 21). "Currency devaluation, collapsed coffee prices and the government's continued subsidization of the coffee sector resulted in Rwanda accruing US$1 billion in foreign debt by 1994" (Kamola 2007: 584). Crucial public services stopped functioning and patronage broke down. The Hutu were the hardest hit since they had been the main recipients of government jobs. As the economy imploded and pressures for democratization grew, political tensions that had been kept suppressed by economic manipulations could not be contained. As the deeply intertwined patronage system unravelled, there was little left to lose for the privileged groups in the state apparatus. The government proceeded to militarize the country and purposefully exacerbated ethnic tensions.

Conclusion

The end of the Cold War marked a shift in the organization of the international system. The fortuitous timing allowed scholars to subject the concept of security to "unprecedented scrutiny" (Jones 1999: 1). Critical perspectives now constitute part of the living canon of social science approaches to security studies. Beate Jahn worries that due to this success critical thought has become a form of orthodoxy (Farrands 2002: 14).

The argument in this chapter is that by adopting an individual as a referent object of security CSS becomes almost indistinguishable from liberalism. The Early CSS scholars focused all their critique on realism and strategic security studies. Liberalism was typically excluded from their critical analysis. As such, they foreclosed lines of critique that explore the dynamics between the economic and social worlds, interests and identity. The complex relationship between identity and security requires an approach that goes beyond the individualism of human security agenda. It requires a more structural account of the rise of economic insecurity as a crucial driver for the appeal of identity ties.

The CPE approach allows us to integrate the study of particular with the considerations of the general. It is this link that is particularly crucial for understanding how the shifts in an individual's economic security allow for the politicization of group identities in a given society. By tracing the changes in global economic architecture and by linking them to local economic trends, CPE reveals the cumulative long-term effect of increased socio-economic uncertainty and the attendant feeling of insecurity. By taking this historic perspective, it highlights the fact that contradictions and crises are inherent to the global economic system, the producing contradictions and crises in everyday experiences of individuals (Sinclair 1999: 158). In an increasingly volatile and challenging environment group identity is often the only narrative that offers individuals some sense of stability and permanency. Without its comfort how is "the self to move and live in the whirlwind?" (Berman 1982: 17).

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11

Inequality and Poverty in the Neoliberal Era

Roberto Roccu

It is undoubted that inequality has come back with a bang in the wake of the global crises of the past decade.[1] This is true with respect to advanced capitalist countries and to developing and underdeveloped countries alike. In the former, this renewed attention is perhaps best highlighted by Thomas Piketty's *Capital in the Twenty-First Century* (2014) becoming a widely read and discussed bestseller. In the latter, the role of real and perceived inequalities is best exemplified by the calls for social justice at the heart of the revolutionary and protest movements in various corners of the Global South, from Egypt to Brazil to Turkey (Mason 2012). Indeed, those very international economic organizations (IEOs) that had been relentlessly promoting liberalizing policies have come to appreciate the potentially damaging effects of high levels of inequality (Ostry et al. 2014; Dabla-Norris et al. 2015).

This new wave of interest in inequality follows three decades in which the global agenda for developing and underdeveloped countries was dominated by poverty, poverty reduction and poverty alleviation. Institutionally, this was

[1] This contribution speaks of global crises in the plural as in my view it is possible to distinguish between: (i) a global food crisis, with particularly severe repercussions for developing and underdeveloped countries (McMichael 2009); (ii) a North Atlantic financial crisis (Jessop 2015), sending ripples throughout the globe but with varying intensity and pace in different regions; (iii) a Great Recession, which was short-lived globally but appears to have mired Europe and arguably North America in stagnation (Teulings and Baldwin 2014).

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embodied in the first of the Millennium Development Goals, enshrining the commitment to eradicate extreme poverty and hunger. Inequality did not completely disappear from the radar in this phase. Rather, it largely became equated with global inequality, measured as inequality between countries using population-weighted average gross domestic product (GDP) per capita as the key indicator (Wade 2004). Thus defined, global inequality had fallen between 1980 and 2000, with several World Bank's reports hailing this as a major success of globalization (World Bank 2002; Chen and Ravallion 2004). In these studies, global inequality is essentially measured in terms of the ability of poorer countries to reduce the gap in average incomes. However, this approach obliterates both the importance of within-country differences and the relational dimension of poverty and deprivation between countries. In this respect, the return of inequality on the agenda is to be welcomed in and of itself.

In light of these considerations, this chapter starts from a broader definition of inequality in the attempt of providing a radically relational approach to both poverty and inequality. The first section "Inequality and Poverty, Between and Within: Establishing the Bottom Line," identifies the terms of the debate, thus parsing out different definitions of inequality and their relation to poverty. Post-World War II trends on both key elements are also discussed, in order to highlight where consensus has emerged and which trends are instead essentially contested. Building on these foundations, the second section, section "Accounting for Inequality and Poverty: A Literature Review," discusses existing explanations for these trends, firstly in the mainstream literature and then paying more attention to the accounts provided in critical international political economy (IPE) scholarship. The third and final section, section "Neoliberalism, Uneven Development and Failing Hegemony," contributes to the latter by developing a Gramscian account of the increasing within-country inequalities that appear to be one of the constants of the neoliberal turn wherever this has materialized. More specifically, two arguments are advanced. On the one hand, a Gramscian account based on the role of agency in articulating the pressures generated by the uneven development of capitalism allows us to provide a more nuanced picture of the spatial dimension of inequality. More specifically, such an approach provides the opportunity to move beyond the core-periphery distinction explicit in dependency and world system theory and implicit in much other critical IPE literature, and towards an understanding that gives room to new forms of spatial agglomeration and the emergence of global production networks. On the other hand, a Gramscian approach also permits an analysis of the ideological mechanisms sustaining and reproducing the increasing inequality implicit in neoliberal globalization. These mechanisms have increasingly been contested at different levels, spurring a repressive reaction well encapsulated by the idea of "authoritarian neoliberalism" (Bruff 2014). This tendency points towards an ever-weaker hegemonic potential for neoliberalism, which in turn opens up—much more than in the past—significant room for radically antagonistic agency.

Inequality and Poverty, Between and Within: Establishing the Bottom Line

Surveying the different meanings of inequality and poverty, domestically, internationally and on a global scale, is a necessary precondition for understanding how these variables are measured, and in turn for grasping more general transformations. This section aims at doing just that: define the terms of the debate, and use these definitions to identify the main trends among the maze of publications on poverty and inequality.

To begin with, inequality is a multifaceted phenomenon, to the point that it would make more sense to speak of *inequalities*. In the introduction to an explicitly interdisciplinary collection on the topic, Therborn (2006: 3–9) suggests that inequality has three fundamental dimensions, and thus one can speak and measure vital, existential and resource inequality. Similarly, Holton (2014: 41–8) argues that we should resist the temptation of measuring inequality in exclusively economic terms, as this inevitably neglects other forms, such as gender and race inequalities. At the same time, it is true that both data and research are much more readily available with respect to the economic dimension of inequality. Thus, while acknowledging the relevance of other forms of inequality, this contribution focuses mostly on the economic dimension of inequality, which itself constitutes a significant component of gender and race inequalities.

But even then, inequality of what? Historically, data regarding inequality in income distribution would be derived from fiscal statistics. After having been somewhat sidelined in the post-war period, this method has recently experienced a revival, particularly in the work on top income shares by Piketty and Saez's research team.[2] In the meanwhile, household surveys have become increasingly accepted as a more precise method for measuring inequality both within and between countries. Some of these surveys, usually in Europe and the Americas, focus on income, whereas most of Asian and African countries collect expenditure surveys. However, it is well known that "expenditures tend

[2] Please refer to the constantly updated "The World Top Incomes Database": http://goo.gl/EZj7RM

to be more equally distributed than income" (Milanovic 2005: 16), and thus a focus on them tends to underestimate inequality. Importantly, up to this point wealth inequality has been left aside, and while some references to it are made in this contribution, most of the attention here is directed towards income inequality.

Inequality can be measured on different scales. For instance, Piketty's work focuses almost exclusively on the transformations in income and wealth distribution within countries. This dimension of inequality is usually the one public debates are more concerned with, perhaps also because national political systems are in a better position to address it directly. At the same time, within-country inequality should also be considered when discussing global inequality. This is not necessarily the case, and much of the global inequality literature focuses on comparing mean GDP per capita measured at purchasing power parity (PPP) between countries.[3] Indeed, Milanovic (2005: 7–8) suggests that international and global inequality can be measured in three different ways. Firstly, one can measure unweighted GDP per capita between countries. Each country provides one observation, which is then weighted equally for all countries, very much like the "one country one vote" principle underpinning the workings of the UN General Assembly. Secondly, proceeding along the same lines, each country keeps providing its GDP per capita only, but this is now weighted according to each country's population as a share of total world population. This is the measure that has been favoured by the World Bank and other international organizations. Both these measures are essentially international, in that they take individual countries as their unit of analysis, thus leaving entirely aside within-country distribution. It is thus not inappropriate to see these more as a measure of developmental catch-up rather than inequality as such. The third measurement instead takes individuals as its unit of analysis, lining them up in terms of their GDP per capita income in PPP$ as if the world were a single country. The attempt here is to do away with borders, thus avoiding taking each country as a black box, of varying size when population-weighted, with a GDP figure attached to it, as is the case for the two measures above.

The most commonly used measure of inequality is the Gini coefficient. This coefficient is obtained by, first, comparing the income of each individual with that of all other individuals included in the calculation, and then dividing the sum of these bilateral income differences by the number of people considered and the average income (or incomes of specific deciles in more sophisticated calculations) of the group under consideration. A perfectly equal distribu-

[3] For a discussion of the pros and cons of measuring GDP per capita at PPP or at market exchange rates, see Wade (2014: 317–8).

tion of income would lead to a Gini coefficient of 0, while a coefficient of 1 is obtained if all income in a group is in the hands of a single person. These limits are often recast as a scale from 0 to 100 in the Gini index, the one employed by both World Bank and OECD (Organization for Economic Cooperation and Development). The Gini index is usually found in the 20s for the most egalitarian countries, and very rarely goes above 60 even for the most unequal countries. Beyond issues of data reliability, the Gini coefficient is often considered to be problematic because the same final score is consistent with very different distribution curves, and thus provides a measure of income inequality that is perhaps "too" synthetic. However, it is still widely considered to be the best available approximation to grasp the overall income distribution within a specific population, be it regional, national or even global.

Contrary to inequality, poverty measurement and poverty reduction have always been at the heart of the agenda of international development organizations, and of the World Bank especially.[4] The number and percentage of people living in poverty are usually estimated with reference to variously defined poverty lines. In light of the 2005 revisions, the current poverty lines stand at PPP$1.25 a day for extreme poverty, and at PPP$2.50 for ordinary poverty. Importantly for the politics of measurement, the revisions carried out by the World Bank in 2005 showed that under the previous regime the number of people living in poverty, both extreme and ordinary, had been massively underestimated.

When looking at empirical evidence on both poverty and inequality, three trends appear as particularly relevant. Firstly, *over the past three decades population-weighted international income inequality has declined*. This appears to constitute a significant departure from the so-called "Great Divergence" that saw North-Western Europe and then North America breaking away from the rest of the world thanks to the much higher rates of growth afforded by capitalist development (Pomeranz 2000). It is on the grounds of this dramatic departure from previous trends that IEOs have hailed globalization as the main driver of this catch-up (World Bank 2002; Chen and Ravallion 2004, 2008). Indeed, as population-weighted international income inequality measured by the Gini coefficient has fallen from 0.53 to 0.50 between 1980 and 2005 (Milanovic 2005: 85–7), evidence appears to corroborate the claim that "globalisation works" (Wolf 2004).

This clearly constitutes an improvement, but one to be examined in detail. For instance, as Fig. 11.1 shows, the very same indicator has instead increased marginally if one excludes China. This reveals one of the potential problems

[4] This is perhaps best embodied in the Bank's motto: "our dream is a world free of poverty", which has been sarcastically turned by Liam Clegg into "our dream is a world full of poverty indicators" (2010).

with using population-weighted mean incomes, in that "[a]ll that is needed to obtain the desired conclusions is that China's growth accelerates" (Milanovic 2003: 674). Indeed, population-weighted international income inequality appears to have increased quite substantially if one excludes both China and India. In addition to this, as mentioned above, this measure of international inequality excludes by definition within-country inequality, which has in fact increased considerably in both China and India, thus contributing to provide a more nuanced picture. While of course it makes sense to include China and India in the count, particularly in light of the high rates of extreme poverty they had until a few decades ago, what is perhaps most troubling is that this decline in international income inequality has become a powerful weapon for pushing liberalization, privatization and state retrenchment further. However, such a move is predicated on two errors of attribution. Firstly, and perhaps more visibly, the case for opening the economies of poor countries is based on the phenomenal rise of two countries that have taken rather unorthodox paths to development. India has followed the Washington Consensus very selectively (Rodrik 2006), while China has opened up selected areas and sectors, particularly through the extensive use of Special Economic Zones (SEZs), Export-Processing Zones (EPZs), and coastal cities, effectively creating neoliberal pockets while retaining a generally state capitalist orienta-

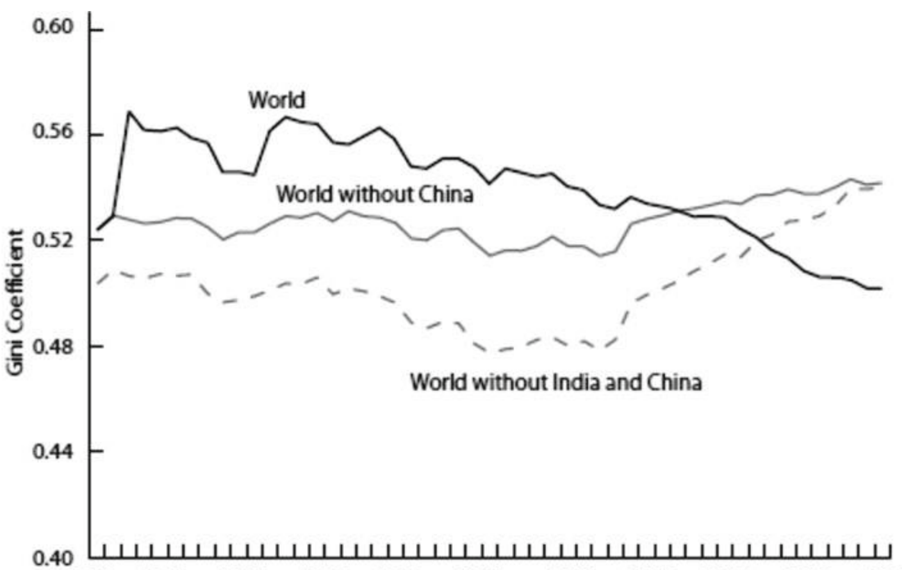

Fig. 11.1 Gini coefficient for the developing world, 1950–2000 (*Source*: Milanovic 2005

tion (Harvey 2005: 130–42). The second error of attribution is a subtler one, and has to do with how the World Bank measured trade openness and what policy recommendations provided in light of such measurements. In the 2002 *Globalization, Growth and Poverty* report, trade openness is heavily reliant on trade/GDP ratios. However, as demonstrated by the East Asian example, the latter is not necessarily related to the policy actions undertaken in order to liberalize the trade regime. In other words, it is well possible to have a higher trade/GDP ratio without having any significant trade liberalization (Kiely 2007: 421). Despite this, the policy recommendation that followed from this measurement was to liberalize further the trade and investment regime.

Secondly, *within-country inequality has increased in most countries*. Additionally, *this has happened more in those countries that have gone further in the process of neoliberalization*. This is true for instance in the case of OECD economies, with Anglo-Saxon economies experiencing a larger increase in their Gini coefficient than most other economies,[5] and seeing the top income share rising further than elsewhere (OECD 2011). Paradoxically in light of the meritocratic discourse underpinning neoliberalism, the USA and the UK are also the two G8 countries with the lowest rate of intergenerational social mobility (Blanden et al. 2005). While apparently contradicting the assertion above, upon closer inspection the Chinese case supports it further. Here, the uneven neoliberalization of the economy is essential to understand both the phenomenal growth rates leading to falling between-country inequality and the marked rise in within-country inequality (from 0.3 in 1978 to 0.48 in 2012). What is peculiar about the latter is its geographical concentration, with the average income of richest to poorest province rising from 7 to 1 in 1990 to 10 to 1 in 2006 (Milanovic 2011: 80), thus being significantly higher than in India at 4.2 and the USA at 1.9 (Wade 2014: 333). Additionally, SEZs, EPZs and coastal cities have on the whole experienced both higher-than-average growth and a sharper increase in inequality than other provinces and cities (Wei and Ye 2009), thus lending further support to the hypothesis of the disequalizing impact of neoliberalism. This link between increasing within-country inequality and neoliberalism is also corroborated by the fact that the only region that has seen a decline in within-country inequality over the past decade, Latin America, is also the one in which economic policies have gone the furthest from the Washington Consensus template (Cornia

[5] The main outlier is Sweden, which incidentally is also the traditionally social democratic country that has gone further towards neoliberalising its own economy through its own version of the Third Way (Ryner 2002).

2015).[6] This in turn appears to validate Kiely's point that the IEOs' focus on the *extent* of global integration as the driver of convergence is misplaced, and the core of the matter has instead to do with the *form* of such integration (2007: 432).

Thirdly, *extreme poverty rates have fallen significantly*. Indeed, the UN's Millennium Development Goals webpage states that the objective of having extreme poverty rates halved "was met five years ahead of the 2015 deadline".[7] However, these triumphalist claims tend to occlude from view the fact that the number of people living in ordinary poverty (between PPP$1.25 and PPP$2.50) has increased substantially between 1981 and 2005 to include nearly 3 billion people, or 40% of the world's population. Whereas there is an ongoing discussion about the reliability of the World Bank's poverty headcount, as well as the soundness of its assumptions, what is being discussed is whether the World Bank tends to overstate the fall in extreme poverty rates, and not whether such fall has occurred at all.[8] This is a major achievement in itself, even though it leaves more than 1.2 billion people in conditions of extreme poverty.

If the percentage of people in extreme poverty has considerably declined, why bother with inequality then? There are both instrumental and intrinsic reasons for paying attention to inequality. Among the former, one has to do with "spirit level" argument, suggesting that high levels of within-country inequality tend to be highly correlated with a set of problems including mental health, obesity, drug abuse and erosion of trust (Wilkinson and Pickett 2009). Couching the same argument in economic terms, one could say that very unequal societies also tend to be less efficient. Mired in Okun's "big trade-off" between equity and efficiency (1975), international organizations have only recently started to take into account the damaging effects on growth produced by high levels of inequality (Ostry et al. 2014; Dabla-Norris et al. 2015).[9] In addition to this, Milanovic (2011: 163–4) has suggested that high levels of within-country inequality engender political instability and occasionally chaos, which in turn creates unsustainable migratory flows from people attempting to move up the ladder in the between-country inequality scale.

[6] One should also note that this fall in within-country inequality happened in a region traditionally characterised by extremely high levels of inequality.

[7] "Goal 1: Eradicate extreme poverty and hunger", available online at: http://www.un.org/millenniumgoals/poverty.shtml

[8] For an excellent summary of such discussion, see Wade (2014: 328–32).

[9] In a slightly different but not unrelated direction, Hopkin and Blyth (2012) argued for the possibility of a "trade-in", and thus a mutually reinforcing relationship, between equity and efficiency.

There are also intrinsic reasons to care about inequality (Atkinson 2015),[10] which vary according to the specific conception of social justice espoused, be it utilitarian, Rawlsian and based on Sen's capability approach. This consideration points already towards the high degree of contingency implicit in our evaluation of how much inequality is tolerable and/or desirable. This is particularly visible if one looks backwards, where it becomes difficult to disagree with Ulrich Beck's claim that "in a historical perspective, social inequalities become a political scandal relatively late" (2010: 167). This element of social construction in our understanding of inequality might contribute to explaining why the USA and the UK, despite the increase in income inequality experienced in recent decades, appear to have a public generally less concerned with inequality than other advanced economies.[11] In light of this, the return of inequality in public discourse should be taken as good news. This has more recently also taken the form of a greater focus on wealth inequality, with the World Economic Forum (2014) for instance declaring the worsening wealth gap as "the biggest risk facing the world", and Oxfam (2015) suggesting that by 2016 the richest 1% will own more than half of global wealth.

Accounting for Inequality and Poverty: A Literature Review

In surveying the approaches that have been used to explain and address inequality and poverty, it is only fair to start from neoclassical economics. If not for the accuracy of its predictions, this central position is warranted by the impact that this approach has had in affecting national and international policymaking, and thus for its performative power (MacKenzie et al. 2007). The basic assertion advanced by the vast majority of neoclassical economists, which has informed IEOs' approaches not only to inequality but to development in general, is that greater economic openness and greater integration in the global economy will lead to convergence and thus a reduction not only in between-country inequality, but also inequality between households (Wolf 2004).

This argument is based upon four interrelated elements. Firstly, a more open economy creates the conditions for foreign direct investment (FDI) to

[10] Milanovic (2011: 160–3) calls these ethical reasons, but he then goes on to make the very same points and discusses the very same theories of social justice.

[11] According to a Pew Research Center report (2014), 47% of UK and 46% of US citizens consider the gap between rich and poor to be a "very big problem", against a 56% median for advanced economies and much higher rates for countries like Italy (73%), Spain (74%) and Greece (85%).

flow towards poorer countries, because of the relatively low cost of labour and the high returns that will accrue to capital given its relative scarcity in poor countries. Secondly, an open economy also provides the conditions for poor countries to realize their comparative advantage, instead of wasting precious resources in establishing and protecting sectors that will never become efficient enough to withstand international competition. In addition to this, the Stolper-Samuelson theorem predicts that trade liberalization leads to a reduction in the wage spread in countries exporting labour-intensive goods (Cornia 2004: 15). Thirdly, a more integrated economy allows for a much smoother transfer of technologies, which become accessible to poor countries at relatively low cost, thus providing a key instrument for catch-up as upgrading becomes easier. Lastly, an open economy also provides an environment that facilitates the transfer of ideas and practices that have underpinned the successful development of rich countries.

Importantly, the Washington Consensus pushed upon poor countries since the late 1980s goes well beyond these four elements, to include issues such as trade liberalization, privatization of state-owned enterprises, and flexibilization of the labour market. For instance, in its Country Policy and Institutional Assessment (CPIA) formula, whose final score affects lending decisions to both low- and middle-income countries, the World Bank gives the highest score to a completely free trade regime and the lowest score to worker protection in the labour market (Wade 2010: 146).

In light of the failure of the Washington Consensus to deliver the expected improvements, the global development agenda moved in the 1990s towards the "augmented Washington Consensus" (Rodrik 2006), which adds a distinctively institutional dimension to the fight against poverty. Significantly, the assertion that "institutions matter" did not lead to a revision of the previous template, but rather to a juxtaposition of the new recipes, usually revolving around considerations about "good governance", to the old ones. This approach points towards a deeper issue: whenever empirical evidence contradicts the core neoclassical model, this does not trigger the revision of the model, but rather the recourse to "ad hoc augmentation" (Holton 2014: 29), with the failure to reduce poverty being attributed to factors external to the core model. In this respect, "we seem to be dealing with market utopianism rather than evidence-based social science" (ibid.).

This point appears to be further validated by the fact that none of the four drivers of convergence has actually worked as expected, and this has not led yet to a thorough revision of the IEOs' policy recommendations. The vast bulk of FDI flows, for instance, still take place within the triad of rich areas (USA, Europe and Japan), while the lion's share of FDI towards the developing world is appropriated by a small number of countries (Kiely 2007: 428). Additionally, recent years have seen an increase in FDI flows from poor to rich countries (Prasad et al. 2007). The "Lucas paradox", identifying this failure of capital to flow from rich to poor countries (Lucas 1990), suggests that this trend has not gone unnoticed among neoclassical economists. Once more, however, this failure has been attributed to exogenous factors, ranging from technological differences to low institutional quality to inadequate government policies to sovereign risk. Admittedly, even more soul-searching has been triggered by the failure of greater openness to stimulate specialization through the realization of comparative advantages. The then World Bank's chief economist, Justin Yifu Lin, argued in 2012 that countries often possess a "latent comparative advantage", but that unfettered opening might actually hamper the realization of such advantage. He then argued for a more active state in fostering the potentially successful industries (Lin 2012). As for technological transfer, the emergence of an intellectual property rights regime (see Muzaka in this volume) means that technologies have increasingly become excludable, thus limiting the spillover from multinational corporations to local suppliers. In addition to this, recent research has also cogently argued that technologies and innovation are embedded within a given institutional context (Mazzucato 2013). Lastly, with respect to the transfer of ideas and practices, Ha-Joon Chang has comprehensively debunked the dominant narrative according to which early industrializers have achieved success through an open trade and investment regime (2003). If anything, the current ideas and practices are better seen as a way of "kicking away the ladder" (ibid.), as early developmental success took the form of state activism in trade, industry and technology, as well as protection of specific sectors.

While neoclassical economists have thus seen their own models, and the beliefs stemming thereof, being heavily criticized from within their own discipline, one would imagine IPE scholars to be in a better position to address the multidimensional processes affecting income inequality both locally and globally. However, a satisfactory treatment of between- and within-country inequality, let alone global, in the literature that dominates the field is hard to come by. This is arguably due to how IPE has increasingly been defined, usually implicitly but occasionally also explicitly, as a field chiefly concerned with "economic statecraft" (Baldwin 1985). In this respect, Cohen's "intellectual history" of IPE (2008), and its construction of an opposition between an American and a British school, are better understood as a way of preserving pluralism while significantly narrowing down the scope of IPE by expunging those accounts "outside of the 'respectable' mainstream of Western scholarship" (ibid.: 1). Through this move, it becomes possible to effectively obliterate from the purview of IPE a series of issues that were integral to the classical tradition of political economy, including "classes, the organization of production, and the distribution of income and wealth within states" (Cammack 2011: 155).

It is thus not surprising that the quest for approaches concerned with inequalities in the global political economy must move beyond these narrow boundaries, and look at dependency theory and world system theory. The former largely coalesced in Latin America as an opposition to modernization theory and its stagist approach to developmental catch-up.[12] Dependency theory is constructed around two polarities. The first, and by far the most important, concerns the distinction within the world economy between a core and a periphery. The second polarity, which is given variable weight by different authors, relates to the distinction between variously defined elites and the masses of working people in both core and peripheral countries. Unequal exchange serves as the key explanatory mechanism. Because of its institution through colonial means, the world economy is based on a system of unequal exchange whereby peripheral countries are dependent on the core for technologies, finance and high value-added goods, while their contribution to the growth of core countries usually comes in the form of agricultural produce and raw materials. The deteriorating terms of trade experienced by peripheral countries in turn further deepen their dependence and to a large extent inhibit their industrialization, leading to what Frank famously called "development of underdevelopment" (1966). This last claim was not uncontroversial among dependency scholars themselves, and indeed Cardoso, formulating the possibility of "associated-dependent development" (1973), suggested that some measure of development could occur, but that this was bound to be driven by the needs of the core. A unifying thread underlying the various strands of dependency theory hence lies in the belief that "the economy of certain countries is conditioned by the development and expansion of another economy to which the former is subjected" (Dos Santos 1970: 231). This significantly limits the prospect for reducing between-country inequality. Additionally, the structure of the world economy also displays a tendency towards exacerbating within-country inequalities, because of its reliance on low-wage extraction and plantation agriculture and the opportunities it creates for the emergence of a parasitic *comprador* bourgeoisie (Amin 1990).

[12] Even though it should be pointed out that one of the key texts in the literature (Baran 1957) was written in the USA and predates the "non-communist manifesto" at the heart of modernisation theory (Rostow 1960).

A deterministic (mis-)reading of dependency theory, and its supposed inability to explain the rise of late developers in the shape of the East Asian tigers, significantly weakened the status of dependency theory in academia. Wallerstein provides an account of East Asian late development through the category of semi-periphery, comprising regions that have managed to industrialize but usually rely on less technological sophistication than the core countries and are still dependent on them financially (1976). This in turn creates a further layering in the international division of labour, with skilled workers in the core, semi-skilled industrial workers in the semi-periphery and unskilled workers in the periphery. Compared to dependency theory, Wallerstein adds another important layer of complexity, as he establishes a relation of co-dependence between the world economy, defined as "a large geographical zone within which there is a division of labour and hence significant internal exchange of basic or essential goods as well as flows of capital and labour" (2004: 21), and capitalism, defined instead as a system that "gives priority to the *endless* accumulation of capital" (ibid.: 22).

Despite the added nuance in the construction of its macro-historical framework, Wallerstein's work follows very much in the trails of dependency theory, in that it "substantially overestimates the power of the international system—or imperialism—in southern affairs today" (Smith 1979: 249). This "tyranny of the whole over the parts" (ibid: 255) is usually manifested in two ways. On the one hand, much dependency and world system theory pays inadequate attention to the role of the state apparatus, of its elites and attendant ideologies, in affecting the developmental path pursued by poor countries. As Smith persuasively argues (ibid.: 259–78), local institutions always played a significant role in the establishment, consolidation and perpetuation of specific economic systems, even in the most tightly controlled colonial societies. After decolonization it is even more difficult to discard the agency of the state apparatus and of the social groups having greater access to it as merely the reaction to impulses from the core. On the other hand, the structuralist focus also translates into a neglect of the past, and more specifically of pre-existing modes of production. If one accepts that capitalism is a totalizing world economic system, then all traces of feudalism, for instance, have been obliterated by the unfolding of the world system. Frank claims this much when suggesting that Latin America has been capitalist since colonization in the 16th century (1969: 7–9). Once more, this move has the effect of homogenizing the periphery by obliterating any historical legacy and its articulation with the capitalist world economy, most clear for instance in the persistence of plantation agriculture in Latin America (Laclau 1978: 25–6).

Both neglect of the state and its actions and of prior economic systems stem from a common cause: thinking in terms of a world economy based on *exchange* necessarily leads to overlooking relations of *production*. This is something that occurs in both dependency and world system theory, even though reference is still made to "modes of production". However, the meaning of the latter phrase has changed dramatically, and this is no more clearer than in Wallerstein's work (1974), where "by mode of production we no longer understand the relation between productive forces and relations of production, but international economic relations, since the mode of production is identified with the world economy as a whole" (Laclau 1978: 44). Through this move, exploitation is not anymore intrinsic to capitalist production, but rather becomes a feature of exchange in the world economy. In turn, the asymmetry implied by unequal exchange permits the elaboration of an imaginary common good for peripheral countries, to be pitted against external compulsion, no doubt enforced by the local dependent bourgeoisie and its political agents. While this approach might serve a valuable political purpose, in rallying radicals and nationalists against the current state of affairs, its lack of internal differentiation primes it for failure in accounting for the varieties of ways in which developmental catch-up can, and at times indeed does, occur, creating the possibility for bridging the inter-country income gap and reducing poverty.

Neoliberalism, Uneven Development and Failing Hegemony

Within critical IPE, the literature focusing on the uneven development of capitalism has provided more accurate foundations for analyzing the transformations brought about by the process of neoliberal restructuring unleashed in the 1970s. Dating back to Lenin and his understanding of inter-imperialist rivalries in opposition to Kautsky's ultraimperialism thesis, the focus on uneven development brings to light the all but homogenous way in which capital accumulation and capitalist relations of production spread across the globe. This is certainly affected by different resource endowments and locational advantages, but it is particularly exacerbated by two tendencies that are more specific to capitalism. Firstly, the different forms that capital can take, as commodity, as money, or as wage in compensation for labour, are a source of complementarity but also conflict for the geographical expansion of capitalism (Harvey 1982: 373–412). This is particularly visible for instance in "the geographical fixation of use-value and the fluidity of exchange-value" (Smith 2008: 202), which embodies the contradiction between fixed and mobile forms of capital. Secondly, and related to the previous point, this constitutive unevenness of capital in its various forms allows for the persistence of a multiplicity of political authorities tasked with managing the contradictions of capital as well as the struggle between capital and labour.[13] As a consequence of these tendencies, capitalism not only unfolds unevenly, but also produces a constantly changing distribution of unevenness across the globe (Callinicos 2009: 207–8). In its thrive towards dismantling barriers to capital movement, neoliberal restructuring can be seen as an intensification of uneven development (Kiely 2007).

While only rarely this literature has addressed directly issues of poverty and inequality,[14] it is still possible to draw some inferences. On the one hand, *contra* dependency and world system theory, the recovery of the geographical dimension of uneven development means that it is possible to account for the phenomenal rise of those countries that has empirically resulted in the reduction of between-country inequality. This is done without confining rising powers to the category of semi-periphery, thus allowing for their further rise on the value-added ladder, either in the form of the Samsung Galaxy 6 in South Korea or as a larger and increasingly sophisticated banking (and shadow banking) sector in China (IMF 2014). On the other hand, *contra* the dominant liberal narrative, this process is considered far from an equalizing one. Rather, it is acknowledged that fast-paced industrialization is predicated on large-scale, and often violent, forms of primitive accumulation and high levels of exploitation of the workforce. This incidentally also helps explain the high levels of inequality experienced in the regions and provinces most open to trade and capital flows.

This contribution agrees with the substance of these accounts. At the same time, it suggests that Gramsci's work can contribute to this literature in two important ways. Firstly, through his focus on political agency, Gramsci can enhance our understanding of the spatial consequences of neoliberalism by showing how the pressures generated by uneven capitalist development are articulated on different scales, with important consequences with respect to both whether and how catch-up occurs, and what are the internal distributive effects. Secondly, reference to the most famous concept in Gramsci's philosophy of praxis, hegemony, enables us to address the importance of ideological

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[13] Whether the relation between capitalist and the state system is a necessary or a contingent one has been subject to much discussion. See for instance Callinicos (2007), Pozo-Martin (2007), and Teschke and Lacher (2007).

[14] For notable exceptions, see Callinicos (2009: 199–205) and Kiely (2007).

and discursive mechanisms in the creation, consolidation and reproduction of a neoliberal common sense that sustains and reproduces inequality on different scales.

With respect to the first point, passive revolution has been presented as Gramsci's key contribution to the international (Morton 2007, 2010). More than on passive revolution per se, the attention here is devoted to what passive revolution presupposes, that is: the uneven geographical development of capitalism. Perhaps out of the stark contrast between his upbringing in rural Sardinia and his maturation as a young man and intellectual in highly industrialized Turin, Gramsci was particularly sensitive to how the diffusion of capitalist relations of production was uneven in two different ways. On the one hand, in a way not too dissimilar from Trotsky, Gramsci displays an acute awareness of the peculiarities implicit in late development, both in the military, administrative and financial practices rendering the underdevelopment of the Italian *Mezzogiorno* functional to the development of the industrial North (1966), and in how relative underdevelopment and isolation have contributed to successful late development in the USA (1971: 301–6). On the other hand, unevenness is implicit in the way in which new relations of production do not wipe out pre-existing social relations, but are rather articulate with them in multiform ways, thus creating the variegation in which capitalism presents itself concretely. This is particularly evident in Gramsci's suggestion that the analytical focus of what he calls "critical economics" should not be on the market "as an arbitrary abstraction oriented to the dispositions of a transhistorical biological man" (1995: 127), but rather on the *mercato determinato* (determined market), that is: the historically specific form taken by the market under consideration.[15] This in turn allows Gramsci to produce fine-grained accounts that are instrumental for instance for grasping the social configuration produced by the late and uneven development of capitalism in Italy, which created the need for the emerging bourgeoisie in the North to find an ally in the landowning class in the South to complete the process of state formation under the Piedmont leadership (1971: 104–20). A similar point is made by Gramsci with respect to Germany, where "[i]ndustrial development took place within a semi-feudal integument", which granted a prominent political place to the *Junker* aristocracy within a bourgeois regime (ibid.: 19).

While being in line with the account of uneven development provided above, Gramsci's understanding also opens the way, if mostly indirectly, for appreciating the role of agency in bringing about the transformations expe-

[15] On both "critical economics" and *mercato determinato*, see Krätke (2011).

rienced by the global economy since the 1970s. There are clearly physical constraints within which political action is exerted, and these are particularly visible in Gramsci's repeated references to the relation between the geographical isolation of Sardinia and its underdevelopment, which very much resembles Harvey's "friction of distance" (2003: 94). Similarly, Gramsci also identifies economic constraints which determine in the first instance, as Hall would put it (1996: 43–5), the boundaries within which agency takes place. Given his attention to determined markets and real-existing competition, in the notes on "Americanism and Fordism" Gramsci demonstrates awareness of the importance of both transitory monopolies brought about by technological and organizational innovations and increasing returns to scale (1971: 310–2). Particularly the latter helps explaining, *contra* neoclassical economics and the Lucas paradox, why capital often flows where it is already abundant, thus producing a situation in which "success breeds success, tending to concentrate investment, production and consumption in certain areas" (Callinicos 2009: 201). This is an area in which agency is of the utmost importance. As capital tends to accrue where it is allowed to flow more smoothly, significant investment in fixed capital, especially infrastructures of all sorts, is required. However, investment in infrastructures entails high sunk costs and relatively low returns, thus requiring an intervention on the part of the public sector for its establishment. Successful political agency in this direction thus contributes in a decisive way to rendering a region attractive to increasingly footloose capital. This dialectic between portions of capital with freedom of movement and portions of capital locked into the built environment in turn explains the dispersion of manufacturing out of Europe and North Africa, but towards its re-concentration in relatively limited areas, mostly located in China and East Asia.

What does this add to our understanding of poverty and inequality? In discussing the shift towards Fordism, Gramsci is adamant that higher-than-average wages are the persuasive element behind a thorough reorganization of production which leads to an increase in levels of alienation and exploitation. Here, declining rates of poverty brought about by higher wages might well go hand in hand with higher levels of inequality, generated by the much higher rates of surplus value extraction entailed by the phenomenal increase in productivity. Although in a post-Fordist era of global production networks, something quite similar to this has been occurring in the areas in which manufacturing has been reconcentrated in recent decades, as suggested earlier with reference to between-region inequality in China (Xue et al. 2014).

The second dimension along which a Gramscian account can be developed, focusing on the hegemonic role of neoliberalism as an ideology, provides an interesting perspective on "the strange non-death of neoliberalism" (Crouch 2011). While the role of ideas in the rise of neoliberalism has been discussed extensively,[16] the focus here is more specifically on how three decades and a half of neoliberal mantra have effectively reshaped our understanding of both inequality and poverty. This has happened in at least two ways. On the one hand, the pervasive discourse suggesting that "there is no alternative" (TINA) to the neoliberal agenda has to a large extent succeeded in considerably narrowing down what is politically imaginable. On the other hand, neoliberal ideology, and particularly its insistence on the pivotal role of the middle class in both rich and poor countries, has actually concealed some of the real transformations brought about by neoliberal practices.

On the reconfiguration of the imaginable, from its very inception neoliberalism has worked towards rolling back the understanding of inequality that was prevalent in the post-war era. Inequality is essentially "a negation of equality" (Therborn 2006: 4), and is thus underpinned by some notion of injustice. As Holton put it (2014: 11), "objective social differences only become inequalities when they are understood as violating social norms and when they are seen as socially generated and thus amenable to social reform". Seen in this light, the TINA discourse constitutes a way of reshaping the social understanding of the functioning of the economic in such a way that inequality is effectively renaturalized and cannot be considered anymore as "amenable to social reform". According to the neoliberal discourse, in countries that have gone further in the process of neoliberal restructuring the economy in its current configuration becomes the constant in any political equation. For countries that are instead perceived—and often perceive themselves—as lagging behind on this path, a thoroughly restructured economy becomes the predetermined result of any political equation. In practical terms it changes little, in that the implication is that agency on all other variables is inevitably limited by a now renaturalized economic endpoint.

Two brief examples must suffice here to illustrate how the ideological power of neoliberalism has narrowed down the boundaries of what is politically conceivable. Firstly, the last 30 years have produced a significant rescaling of how unemployment is understood particularly in rich countries. What were high rates of unemployment, say around 4%, in the so-called "golden age" of capitalism immediately after World War II in Western Europe, are now nearly universally considered "natural" rates of unemployment. With this shift in

[16] The classical texts on these have been Blyth's constructivist account (2003) and Harvey's historical materialist approach (2005). For an excellent text on the ideological and institutional resilience of neoliberalism, see Cahill (2014).

the bottom line, what were inconceivably high rates also during the 1970s stagflation have been presented as acceptable in the wake of the recent economic crisis. The systemic increase in unemployment rates has had in turn obvious material consequences in terms of weakening organized labour and thus enabling calls for increased flexibility in the labour market (O'Connor 2010: 698). Secondly, and related to this very last point, through reliance to a morally charged rhetoric speaking of "undeserving poor" on the one hand and the practices of workfare on the other hand, governments particularly in the Anglosphere have validated and "normalised" the rise of in-work poverty (Pradella 2015). This has a correlate in poorer countries in the emergence of a mass informal proletariat (Davis 2006).

In addition to reshaping the politically thinkable, neoliberalism as an ideology has also actively worked towards concealing some of the transformations that were occurring both within and between countries. This is particularly evident if one examines the rhetoric of the middle class, which has taken very different forms but with very similar effects in both rich and poor countries. In the former, we have become accustomed to hear that "everyone is middle class". While on the one hand this generalization conveniently flattens social differentiations, on the other hand—in the UK for instance through the New Labour's rhetoric on the "aspirational" middle classes—it fosters powerful mechanisms of competition and emulation, with people in the lower-middle-income brackets increasingly drawn into debt to sustain what are presented as middle-class consumption patterns (Montgomerie 2009). This in turn contributes to even more skewed income and wealth distribution (Lapavitsas 2009). An implication of this rhetorical trope is that no one is upper class anymore. According to a May 2015 *Daily Telegraph* report, the typical consumer basket of its middle-class UK readers includes items such as private school fees, private health insurance, and "cultural services".[17] However, only 7% of the population pays private school fees, and only 11% has a private health insurance.[18] Not everyone is middle class, it would seem. As Zoe Williams put it, "the determination to retain the term middle class for those who are actually wealthy is akin to the care with which the right wing never describes itself as right wing, preferring 'commonsense'".[19] Only that in this respect the Tories in the UK might actually stake a legitimate claim to have successfully redefined common sense. This in turn helps explain why resistance to

[17] Katie Morley, "How 'middle class' inflation is threatening your standard of living", *The Telegraph*, 23 May 2015, available online at: http://goo.gl/9wj0F0

[18] Zoe Williams, "The middle-class malaise that dare not speak its name", *The Guardian*, 24 May 2015, available online at: http://goo.gl/KVvdRV.

[19] Ibid.

neoliberalism in the wake of the North Atlantic and Eurozone crises has been strongest in those countries in which the neoliberal *vulgata* has become less entrenched.

In the case of developing countries, reports from international organizations and major think tanks have recently pointed towards the emergence of a global middle class (Kharas 2010; Allianz 2014). Given that OECD considers global middle class anyone earning between PPP$10 and PPP$100 a day, it is evident that such a measurement underestimates the difference between being middle class in India or China, with a country yearly GDP per capita respectively of PPP$2,600 and PPP$5,050, and being middle class in the USA, with a per capita GDP of PPP$43,200. As Milanovic put it (2011: 103), "[j]ust a single glance at these absolute differences should suffice to put to rest all the talk about the 'global middle class'".

Thus, while largely remaining on an implicit ground, an approach inspired by Gramsci's work can provide two contributions to the literature on uneven development, and the inferences we can draw from it with respect to poverty and inequality. On the one hand, it provides a strong sense of how political agency shapes the specific form of combination triggered in different places by uneven development. The pressures imposed on social formations and regimes of accumulation by the latter are spatially articulated through specific policies, decided usually but not necessarily on the national scale, which are key to understanding why North-East England for instance has deindustrialized significantly more than North Rhine-Westphalia. Additionally, as evidenced by Gramsci particularly in his discussion of late development in Germany and Italy, the class composition of the ruling group driving such combination is itself ultimately contingent and thus dependent on agency. On the other hand, as we should "resist the notion that there is a materialism which is outside meaning" (Osborne and Segal 1997: 31), different forms of agency are enabled, weakened or silenced altogether by specific discursive constructions. Neoliberal ideology has been extremely successful in dismantling taboos but also in establishing new ones with respect to desirable and tolerable levels of poverty and inequality, and the legitimate policies to tackle both. Given that "everything is within the discursive, but nothing is only discourse or only discursive" (ibid.), these powerful ideological mechanisms are essential for sustaining very material trends of increasing inequality, in-work poverty and informalization of the labour market. Importantly, such mechanisms are themselves refracted and articulated on different scales and spaces, thus differentially affecting the prospects for agency aiming at tackling increasing inequality and impoverishment.

Conclusion

Starting from definitional and measurement issues, this contribution has highlighted the main trends and countertrends in inequality and poverty in recent decades. We have thus seen that population-weighted income inequality between countries has fallen since the 1980s, but also that China and India account for this entire decline, thus suggesting that inequality reduction has been very concentrated geographically. We have also seen that within-country inequality has increased pretty much across the globe, but more sharply so in those countries and regions that have gone further in the process of neoliberal restructuring. Lastly, the fall in levels of extreme poverty has also been discussed. Importantly, all these measurements focus on income only, thus neglecting the much more skewed distribution of wealth.

Following a discussion of the dominant neoclassical narrative, so pervasive in policymaking circles, and the accounts provided by dependency and world system theory, I have suggested that a more convincing account of transformations in inequality and poverty is provided by the literature focusing on uneven development. Among the several accounts in this tradition, one informed by Gramsci's insights appears particularly promising for studying these issues. By bringing back in the role of political agency and ideology in articulating locally, with varying degrees of success, the imperatives of uneven development, an approach inspired by Gramsci puts us in the position of capturing both the general trends and the nuances required by accumulated evidence, which shows significant differentiations in the sheer amount of inequality and poverty, their shifting geographical concentration, their discursive construction both within and between countries, and finally the measures through which they can be addressed.

This differentiations clearly has an impact on the possibilities for action for both advocates and opponents of neoliberalism, and this in turn affects the strategies for tackling poverty and inequality. The economic, financial and food crises that have marred the global economy in the past decade have dramatically increased the stakes, and in the process have sharpened the lines of demarcation between who stands to lose and gain most from a transformation of the current economic order, both within and between countries. As a consequence, pockets of resistance against the neoliberal transformation of the global economy have broadened significantly, more often than not appealing to notions of social justice and deploring unsustainable inequalities. These concerns were at the heart of the Arab uprisings leading to the overthrow of long-ruling autocrats in the Middle East, but also of the Occupy movements and of the more structured political opposition to neoliberalism and permanent austerity in Europe, from Syriza to Podemos. The two latter examples appear to suggest that resistance has been strongest where neoliberal ideology has never become hegemonic, despite the pervasiveness of neoliberal practices. In those countries were neoliberalism was arguably hegemonic, its persistence and intensification is also exposing the increasing gulf between the promises of neoliberalism and its outcome of ever-wider inequality and greater impoverishment. However, in these circumstances opposition has usually been either captured by right-wing populism, or replaced by apathy, as witnessed by collapsing voting turnouts.

Significantly, the failure of the persuasive and consensual dimension of neoliberalism has been addressed through an intensification of its coercive face. In Europe, this has taken the form of an increasingly "authoritarian neoliberalism" (Bruff 2014). Beyond Europe, one could suggest that in Egypt for instance we are witnessing the return of "neoliberal authoritarianism" (Roccu 2013). One cannot exclude that increased coercion in the face of the hegemonic crisis of neoliberalism might succeed in entrenching current trends in the short term. However, the very consolidation of these trends towards increasing inequality and poverty might expose further their intimate relation with neoliberal restructuring understood as an intensification of uneven development. This relation, which obviously affects the potential for reversing these trends, has to this date been reconstructed with varying degrees of success in different places. This potential is also highly dependent on the ability of the multiform struggles that have emerged over the past decade across the globe to coordinate and network, articulating a platform that is suited for tackling poverty and inequality on the specific scale of action while linking up to a broader struggle against the common origin of these trends, to be found more generally in the uneven development of capitalism, and more specifically in the intensification brought about by the neoliberal transformation of the global economy. If this was not to happen, one could expect the rising nationalistic tide to seize upon the current interest in inequality and impoverishment and frame it along "beggar-thy-neighbour" lines. Either way, the increasing discontent towards neoliberal solutions, and their attendant implications for poverty and inequality, suggest that the current direction of travel is unlikely to go unchallenged. Whether for better or for worse, we do not know yet.

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12

The Migration Crisis Before and After the Arab Spring: A Transnationalist Perspective

Leila Simona Talani

Introduction

In December 2010, the Arab world was swept away by a wave of demonstrations that became soon known as the "Arab Spring". Many of the Middle East and North Africa (MENA) region countries have since witnessed more or less violent riots. Two of the countries which actually underwent true regime changes, often referred to as "Revolutions", are Tunisia and Egypt. These are also two of the countries which experienced an increase in mass migration, not only as a consequence of the events of the Arab Spring, but also before them. As a result, the focus of this article will be on these two countries.

The theoretical analysis discussed in the first section of this chapter allows us to identify, in the economic marginalization of the MENA area and in its lack of political and economic integration, a relevant political economy factor for recent waves of mass migration. From the theoretical point of view, the following issues appear particularly relevant:

- The paradox of the lack of regionalization of the MENA area within globalization
- The paradox of marginalization of the MENA area within globalization
- The paradox of the empowerment of civil society amid the crisis of the state

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The MENA area is therefore at the crossroads of some of the most significant structural developments of the new global political economy.

The paradox of regionalization within globalization is one of the pillars of the qualitative, transnationalist approach to the impact of globalization on local political dynamics. This entails that those regions experiencing a high degree of integration into the global economy tend to increase also their level of economic and, to a certain extent, political regional integration (Mittleman 2000). The MENA region is a clear example of the opposite dynamics. The MENA area is considered here as a paradigmatic case of marginalization within globalization, as well as a clear example of lack of regionalization, in line with the relevant literature. Indeed, despite a number of attempts to create an integrated economic and even political region, the literature unanimously portrays such attempts as a failure (see, for example, Dodge and Higgot 2002; also Hakimian and Moshaver 2001).

The second section of this chapter assesses the state of regional integration in the MENA area and in the Arab world and its impact on migration.

Section "Marginalization and Extra-Regional Migration" identifies the dynamics of extra-regional migration in Tunisia and Egypt before and after the Arab Spring. Theoretical conclusions are provided at the end of the chapter.

For this analysis, it is important to clarify the geographical definition of the area considered. As described by the International Monetary Fund (IMF), the MENA region comprises a group of countries bound together by their geographical location, close historical and cultural ties, and common economic challenges. In the classification of the IMF, the MENA region comprises 20 countries: Algeria, Bahrain, Djibouti, Egypt, Iran, Iraq, Jordan, Kuwait, Lebanon, Libya, Mauritania, Morocco, Oman, Qatar, Saudi Arabia, Sudan, Syria, Tunisia, United Arab Emirates, and Yemen.[1] Moreover, to account for fundamental differences in economic structure, countries within the region are divided into those which are oil exporters and others, which are traditionally referred to as non-oil or resource-poor MENA countries (Egypt, Jordan, Lebanon, Morocco, Syria, Tunisia and Yemen). The oil-exporting MENA countries are further divided into the members of the Gulf Cooperation Council (GCC) (Bahrain, Kuwait, Oman, Qatar, Saudi Arabia and United Arab Emirates) and other MENA oil exporters (Algeria, Iran and Libya). Following the World Economic Outlook convention, a country is classified as an oil exporter if its oil export earnings during the period 1994–1998 constituted more than 50% of total export earnings. Since this convention the only change has been that Sudan,

[1] See IMF world economic outlook on line, website: http://www.imf.org/external/pubs/ft/weo/2012/02/weodata/weoselagr.aspx#a406 as accessed on 8 April 2013.

which remains in the MENA region, is now classified as a country with non-fuel primary products as the main source of export earnings.[2]

Globalization and Migration from the MENA Area

From the theoretical point of view, in the qualitative definition of globalization technological change represents the engine of a process of transformation which involves both productive and financial structures (Mittleman 2000; Overbeek 2000; Dicken 2014). Leaving aside the latter, what is particularly relevant to frame the analysis of migratory flows from the North African region is the geographical reallocation of production. This takes place through the creation of Export Processing Zones (EPZ) in developing countries, via a policy of mergers and acquisitions (M&A) or straightforward foreign direct investment (FDI) (Dicken 2014). As a consequence of this restructuring of production, labour markets also change with a substantial reallocation of labour-intensive production in Third World countries. However, this outcome is compounded by the effects of technological development in terms of increases in distance working and increased labour mobility, including mass migration and brain drain (Overbeek 2000).

On the one hand, production tends to move to some specialized regions of the globe,[3] where it is possible to exploit advantageous production costs in the form of lower labour costs and/or lower costs of primary resources. This phenomenon gives rise to the paradox of regionalization within globalization, characterized by the creation of economically integrated regions (Breslin et al. 2002; Hettne et al. 1999). This further increases the marginalization of those zones of the globe that are not involved, for reasons that would take too much space to analyse here, in the process of geographical displacement of production or the globalization of financial markets, such as the MENA region (Murshed 2002). On the other hand, however, the populations of those marginalized zones of the globe, where economic conditions are likely to worsen as a consequence of the process of globalization, experience an increased incentive to leave their home countries and move to the more developed regions of the world looking for better standards of life. This produces the two interrelated phenomena of the "brain drain", when skilled

[2] See IMF website: http://www.imf.org/external/pubs/ft/weo/data/assump.htm As accessed on 8 April 2013.

[3] Scholars refer to the "triad" to indicate the three main zones of production of the globe: Asia-Pacific region, America and Europe.

or highly educated labour flees the country of origin, and "mass migration", when unskilled labour migrates (Mittleman 2000).

The ensemble of the above-described dynamics leads to a new global division of labour, the main characteristics of which comprise the geographical displacement of production along regional lines, the increased use of Third World cheaper labour, and the increase of brain drain and mass migration from the regions left behind by the process of regionalization within globalization, most notably, the MENA region. One of the outcomes of this new division of labour is an overall decrease of production costs in both Third World and industrialized countries. Indeed, this process not only brings about lower production costs through the reallocation of production abroad or the hiring of immigrants, particularly undocumented ones, but it also lowers the prices of domestic labour by putting pressure on organized labour and reducing its bargaining power.

Moreover, mass migration, both legal and illegal, acquires regional patterns due to historical, geographic, social or cultural reasons. All responses to mass migration, therefore, take the form of regional policies, such as the US or the EU immigration policy. Here, a fundamental paradox arises between the advantages of immigration in terms of a reduction of production costs and contribution to the sustainability of the welfare state (particularly given the problem of an ageing population in the more developed world), and the implementation of stricter migration policies at the regional level.[4]

In Europe, for example, the ensemble of public policy responses to mass migration both at the national[5] and at the community levels has fuelled debate over the creation of a "Fortress Europe" (Geddes 2003). The consequences of the adoption of a generally tight approach to migration from North Africa have been an increase of irregular migration and the progressive "securitisation" of migration control measures (Huysmans 2000; also, Guiraudon 2000, 2003).[6] Of course, the main reasons for the adoption of similar responses to mass migration are the traditional concerns over political unrest, social conflict, cultural clashes or religious struggles. This became particularly relevant in the aftermath of the September 11th attacks to the World Trade Center in New York, which sparked a wave not only of securitization of migration, particularly from African Muslim countries, but also of straightforward "Islamophobia" (See, for example, BBC 2004).

[4] For a detailed analysis of the number of migrants necessary to cover the needs of EU member states, see United Nations 2001.

[5] For a detailed analysis of some EU member states' migratory policies, see Geddes 2003.

[6] By "securitization", the experts mean the development of migration into a "security issue", which has to be managed by security agencies such as, for example, Europol.

However, a further aspect of the issue is represented by the political economy consequences of "illegal" (as opposed to legal) migration, in terms of cost reduction and increased bargaining power vis-à-vis organized labour. There certainly seems to be some evidence that the use of African illegal migrant work reduces the wages of legal work and, consequently, the power of organized labour. For example, in Germany, studies have shown that a 1% increase in the share of less-skilled foreign workers in the labour force leads to a 5.9% fall in the wages of blue collar workers and a 3.5% increase in white collar wages (Overbeek 2000). In this context, it would be interesting to carry out further investigation of the economic sectors involved in the use and exploitation of illegal immigration and to assess the political economy consequences of similar practices in terms of power shifts between different socio-economic actors. Moreover, in analyzing the dichotomy between legal immigration and illegal immigration, it is clear that the second is more favourable to the neoliberal order than the first because it allows for the flexibilization of the internal labour market, whereas legal immigrants should be integrated in the existing welfare state provisions system.

In the following section evidence is provided to assess to what extent the MENA region has been marginalized from the global political economy.

The Marginalization of the MENA Region

Integration into the global political economy is generally assessed through the use of some main economic indicators (Mittleman 2000; Overbeek 2000; Hirst et al. 2009). These are: FDI stock and inflows, the level of M&A, and production for exports. Below, reference will be made to such indicators to verify the degree of integration of the MENA region in general, and of Egypt and Tunisia in particular, into the global political economy.[7]

The paradox of regionalization (or lack thereof) and the paradox of marginalization within globalization emerge clearly with a look at patterns of the world stock of FDI. Despite the dramatic increase of the world FDI stock since 1980, it is worth noting that the biggest share of them is still held by developed nations (which have actually increased their share since 1980) (Fig. 12.1).

[7] Others prefer to use absolute numbers which are not provided here for the theoretical reasons so far discussed. See Henry, Clement Moore; Springborg, Robert 2010, Globalisation and the Politics of Development in the Middle East, e-book, accessed 9 May 2013, http://kcl.eblib.com/patron/FullRecord.aspx?p=605030.

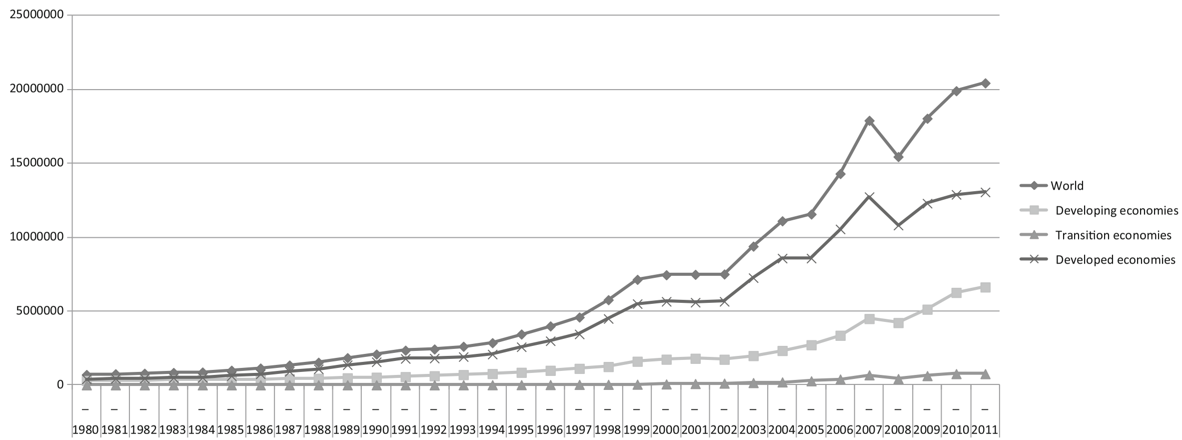


Fig. 12.1 Stock of FDI: developed and developing countries (US$ ml at current prices) (Source: UNCTAD, elaboration of the author)

As far as developing countries are concerned, Asia is the region with the highest stock of FDI (Fig. 12.2).

The Americas (Caribbean, central and Southern America) record the second biggest share of FDI stock with 10% in 2011, much higher than the 6.5% of 1981. Instead, the MENA region is clearly lagging behind, with North African countries totalling only 1%, of world FDI stock, a figure which has fallen even lower than the already pretty low level of 1.5% of 1981 (Fig. 12.3).

It is interesting to note that both countries considered in this contribution experienced a decrease in the percentage share of total FDI stock between 1981 and 2011, a clear indicator of their marginalization from the global economy. In particular, in Egypt the share of global FDI stock moved from 0.4% to 0.36% and in Tunisia from 0.45% to less than 0.15%.

The degree of economic marginalization of the two countries appears even more clearly from the dynamics of FDI inflows. Before the Arab Spring, in 2010, Egypt and Tunisia already presented a declining share of total world FDI inflows (Fig. 12.4). This was exacerbated by the events of 2011.

An indicator often used in the literature to assess the degree of involvement of a region/country in the global political economy is the value of M&A. By far the largest share of M&A takes place between developed economies (78% in 2011), especially in Europe (38%). As far as developing countries are concerned, Asia is the region with the largest share of M&A sales, with 10.5% in 2011, of which the majority took place in South East, and East Asia (6.2%). The MENA area, on the contrary, is again clearly lagging behind with North Africa reporting a share of 1.37% of total sales in 2011 and West Asia a similar figure of 1.85%. In particular, before the Arab Spring uprisings the percentage share of sales around the world was already negligible in Egypt (0.06% of the total in 2010) and inexistent in Tunisia (0% in 2010) (UNCTAD 2008).

Finally, since the 1980s the share of exports from the MENA area has fallen substantially. This index is usually regarded as a measure of integration in the global political economy. In West Asia it went from 9.5% in 1981 to 7% in 2012, while in North Africa it moved from 1.9% in 1981 to 1.1% in 2012 (UNCTAD 2008).

The figure below (Fig. 12.5) shows that the share of exports from Egypt and Tunisia remained basically stable (when it did not decline) and pretty low (always below 0.2%) over the last 30 years.

In terms of intraregional trade integration, there have been various attempts to promote trade integration in the MENA region, ranging from free trade areas, customs unions and even plans to establish common markets. Notwithstanding this, or perhaps as a result of the impossibility to identify a

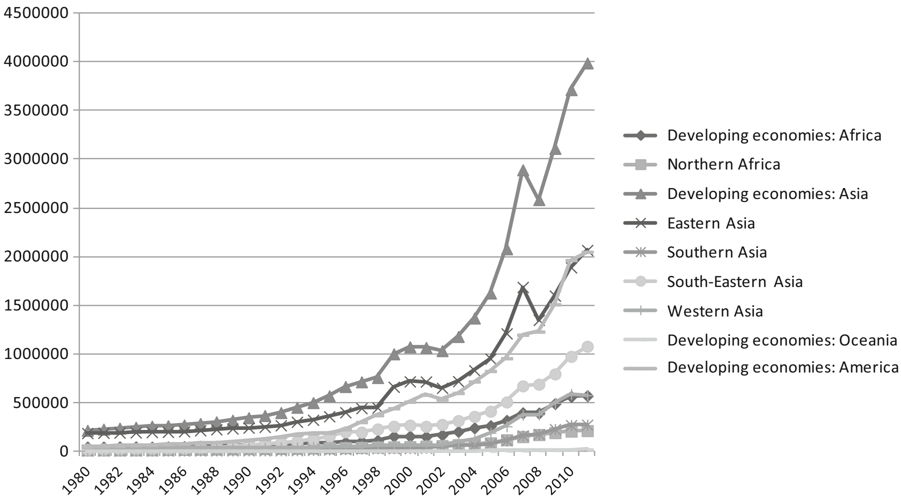


Fig. 12.2 Stock of FDI: developing countries (US$ ml at current prices) (Source: UNCTAD, elaboration of the author)

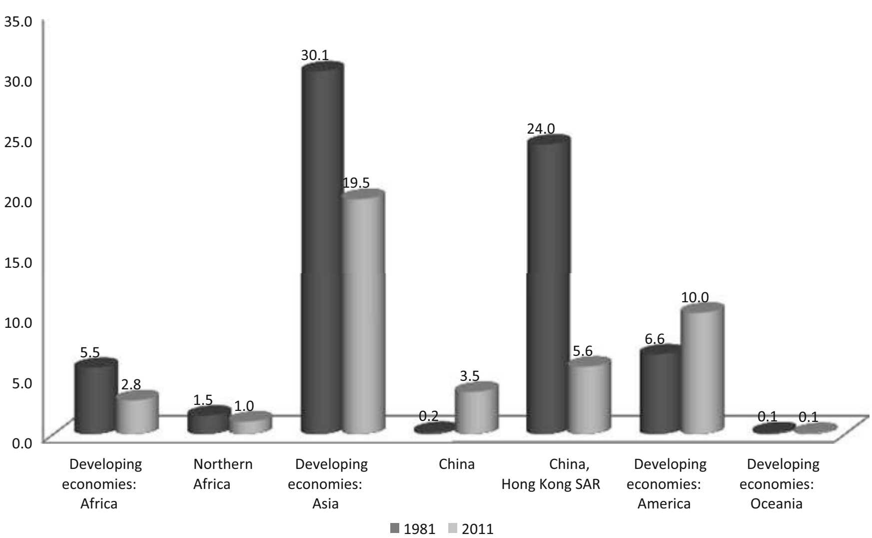


Fig. 12.3 Percentage share of total FDI stock 1981 and 2011 (Source: UNCTAD)

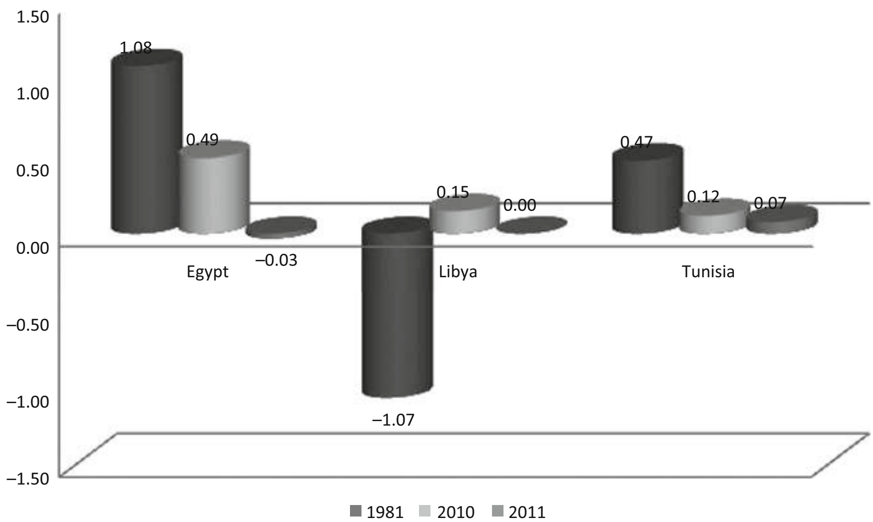


Fig. 12.4 Egypt-Tunisia-Libya: percentage share of world total FDI flows 1981, 2010, 2011 (Source: UNCTAD)

successful regional economic arrangement, it is striking how limited the level of intraregional trade still is. To start with, the total imports and exports of the MENA area with the rest of the world in 2011 was very limited (IMF website).

More specifically, the percentage share of intraregional exports in the MENA area is only a fraction of the percentages of regional trade with other parts of the world. IMF figures relating to the period from 2003 to 2011 show that the region exports mostly to advanced economies, while the share of intraregional trade is just one-tenth of the total (see Fig. 12.6).

Additionally, although the share of exports to emerging and developing countries has increased, the intraregional share of total exports within the MENA area has hardly changed from the 1960s, remaining around 10% (Table 12.1).

What is noticeable from the data above is the increase of imports to the MENA area from other emerging and developing countries, whose share has risen by 18%. The increase of imports from emerging and developing countries may have crowded out the potential for intraregional integration by providing cheap goods produced in less developed countries in the region.

Data on the percentage share of exports to the Arab world (members of the Arab Monetary Fund) over total exports provide a similar picture. Indeed,

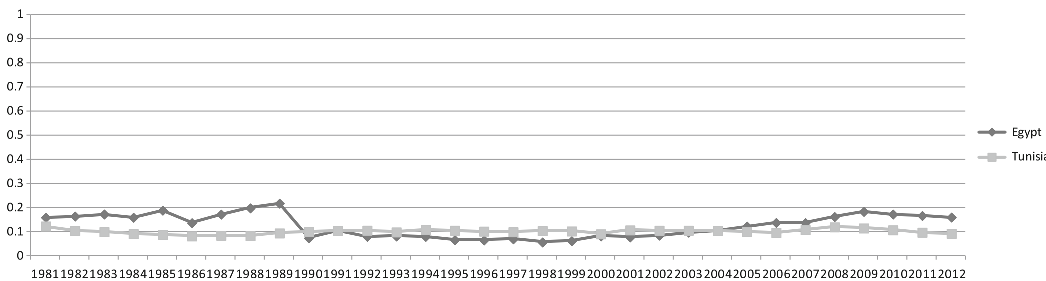
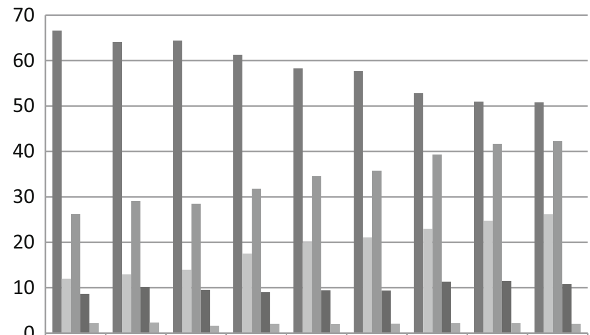


Fig. 12.5 Share of exports to rest of the world from Egypt and Tunisia 1981–2012 (Source: UNCTAD database, elaboration of the author)



	2003	2004	2005	2006	2007	2008	2009	2010	2011
Advanced Economies	67	64	64	61	58	58	53	51	51
Developing Asia	12	13	14	18	20	21	23	25	26
Emerging and Developing Countries	26	29	28	32	35	36	39	42	42
Middle East and north Africa	9	10	10	9	9	9	11	11	11
Sub-Saharan Africa	2	2	2	2	2	2	2	2	2

Fig. 12.6 Share of exports from the MENA to other areas, 2003–2011 (Source: IMF DOTS2013)

total exports to Arab countries were always well below 10% in the decade between 1997 and 2007 (AMF 2008).

Overall, the ratio of inter-Arab trade to total external trade for all Arab member countries of the Arab Monetary Fund (AMF) between 1997 and 2007 was rarely above 10% (AMF 2008).

In terms of the trade openness of Middle Eastern economies, the World Bank calculates trade restrictiveness indexes annually. The Overall Trade Restrictiveness Index (OTRI) summarizes the trade policy stance of a country by calculating the uniform tariff that will keep its overall imports at the current level when the country in fact has different tariffs for different goods. Other related indices are the Trade Restrictiveness Index (TRI) and the Market Access Overall Trade Restrictiveness Index (MAOTRI) and the *ad valorem* equivalent of non-tariff barriers (Kee et al. 2009).[8] From the figures

[8] Definitions: Overall Trade Restrictiveness Index (OTRI): The OTRI captures the trade policy distortions that each country imposes on its import bundle. It measures the uniform tariff equivalent of the country tariff and non-tariff barriers (NTB) that would generate the same level of import value for the country in a given year. Tariffs can be based on MFN (most favoured nation) tariffs which apply to all trading partners, or applied tariffs which take into account the bilateral trade preferences.

Tariff-only Overall Trade Restrictiveness Index (OTRI_T): The OTRI_T is the OTRI that only focuses on tariffs of each country. NTBs are not considered in the calculation of OTRI_T. Similar to OTRI, tariffs can be based on both MFN and applied tariffs.

Table 12.1 MENA exports and imports to partner regions as a share of world exports and imports, 2003–2011

	Exports									Imports								
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2003	2004	2005	2006	2007	2008	2009	2010	2011
Advanced Economies	67	64	64	61	58	58	53	51	51	61	58	58	56	55	51	53	49	45
Developing Asia	12	13	14	18	20	21	23	25	26	13	15	15	17	19	20	21	22	24
Emerging and Developing Countries	26	29	28	32	35	36	39	42	42	36	41	41	43	44	47	47	50	54
Middle East and North Africa	9	10	10	9	9	9	11	11	11	12	14	15	16	15	15	14	17	18
Sub-Saharan Africa	2	2	2	2	2	2	2	2	2	1	1	1	1	1	1	1	1	1

Source: IMF DOTS elaboration of the author below (Table 12.2) it is particularly clear how resource-poor countries in the MENA area, especially Egypt and Tunisia, score very poorly in terms of trade openness.

Trade integration in the MENA area is rarely a subject of research in economics (a review is presented in Fazio 2009). Economists do, however, point to the existence of a mismatch between the outcomes that economic theory would predict and the present level of trade integration in the MENA area, even within the existing trade blocs (such as the GCC) (Al-Atreash and Yousef 1999). Some authors have explored the possibility of an increase in trade and monetary integration in Africa as a consequence of the introduction of the euro (Honohan and Lane 2000; Masson 2007; Subramanian and Tamirisa 2003). They all seem to be very negative about the prospects for further intraregional trade integration in Africa and in the Middle East. Fazio (2009), using a gravity model specification to identify the emergence of trade blocs along different geographical directions, concludes that, within the Euro-Mediterranean Partnership, EU trade nevertheless remains clearly dominant. Moreover, North European trade still dominates trade within the EU, Southern Mediterranean trade is still below average and the integration between the EU and the Southern Mediterranean, despite the introduction of the euro, is still very limited.

In conclusion, far from catching up with the rest of the world, the MENA area seems to be increasingly marginalized from the global political economy. Indeed, the analysis of all usual indicators of integration, such as the level and share of global FDI, the number and values of M&A and the performance of exports and trade openness, indicates a growing peripherization of the area. Moreover, intraregional trade integration has been, at best, stable for the last 30 years. This is particularly true for Egypt and Tunisia. In the section below attention is focused on the relationship between marginalization and extra-regional migration.

Market Access Overall Trade Restrictiveness Index (MAOTRI): The MAOTRI captures the trade policy distortions imposed by the trading partners of each country on its export bundle. It measures the uniform tariff equivalent of the partner country tariff and non-tariff barriers (NTB) that would generate the same level of export value for the country in a given year. Tariffs can be based on MFN tariffs which apply to all trading partners, or applied tariffs which take into account the bilateral trade preferences. Tariff-only Market Access Overall Trade Restrictiveness Index (MAOTRI_T): The MAOTRI_T is the MAOTRI that only focuses on the tariffs of the trading partners of each country. NTBs are not considered in the calculation of MAOTRI_T. Similar to MAOTRI, tariffs can be based on both MFN and Applied tariffs. The *ad valorem* equivalent of NTB was estimated by Kee, Nicita and Olarreaga (EJ, 2009).

Table 12.2 Trade restrictiveness indexes selected MENA countries, 2009

	Indices based on applied tariffs												Indices based on MFN tariffs					
	OTRI			OTRI_T			MAOTRI			MAOTRI_T			OTRI			OTRI_T		
	ALL	*AG*	*MF*	*ALL*	*AG*	*MF*	*ALL*	*AG*	*MF*	*ALL*	*AG*	*MF*	*ALL*	*AG*	*MF*	*ALL*	*AG*	*MF*
United Arab Emirates	3.0%	3.8%	3.0%	3.0%	3.8%	3.0%	5.1%	14.3%	4.7%	3.3%	4.6%	3.2%	3.2%	4.2%	3.2%	3.2%	4.2%	3.2%
Bahrain	4.3%	6.8%	4.2%	4.3%	6.8%	4.2%	3.1%	9.1%	3.0%	1.0%	1.1%	1.0%	4.9%	7.9%	4.7%	4.9%	7.9%	4.7%
Egypt, Arab Rep.	**33.4%**	**44.0%**	**31.6%**	**8.8%**	**14.1%**	**7.9%**	**12.1%**	**25.0%**	**10.3%**	**2.1%**	**5.4%**	**1.7%**	**34.4%**	**45.1%**	**32.6%**	**9.8%**	**15.3%**	**8.9%**
Iraq							0.4%	24.0%	0.3%	0.4%	22.3%	0.3%						
Jordan	22.3%	21.1%	22.6%	5.2%	7.2%	4.9%	11.1%	16.1%	10.7%	2.3%	10.0%	1.7%	25.6%	25.7%	25.6%	8.5%	11.8%	7.9%
Kuwait	3.8%	1.4%	4.1%	3.8%	1.4%	4.1%	8.2%	0.1%	9.0%	6.2%	0.0%	6.7%	4.3%	2.0%	4.7%	4.3%	2.0%	4.7%
Lebanon							5.0%	9.3%	4.3%	1.0%	1.1%	0.9%						
Libya							**1.1%**	**44.2%**	**0.4%**	**0.9%**	**43.4%**	**0.2%**						
Morocco	15.5%	60.2%	9.8%	7.7%	20.9%	6.0%	18.3%	35.9%	12.1%	2.4%	3.4%	2.0%	23.0%	65.8%	17.7%	15.2%	26.4%	13.8%
Mauritania							16.5%	61.5%	0.1%	0.7%	2.6%	0.0%						
Oman	6.3%	38.7%	3.2%	2.6%	2.6%	2.6%	3.0%	5.7%	2.9%	1.1%	1.3%	1.0%	7.9%	40.2%	4.9%	4.3%	4.1%	4.3%
Qatar	3.9%	1.9%	4.0%	3.9%	1.9%	4.0%	4.5%	1.6%	4.5%	1.4%	0.4%	1.4%	4.7%	2.6%	4.8%	4.7%	2.6%	4.8%
Saudi Arabia	1.4%	1.8%	1.4%	0.8%	0.7%	0.8%	2.4%	7.3%	2.3%	1.1%	1.8%	1.1%	1.6%	2.0%	1.5%	0.9%	0.8%	1.0%
Sudan	44.1%	44.3%	44.1%	17.5%	15.0%	17.8%	2.1%	28.4%	0.2%	1.0%	12.6%	0.2%	47.0%	50.4%	46.5%	20.3%	21.1%	20.2%
Somalia							4.1%	4.3%	1.8%	1.9%	2.0%	1.5%						
Syrian Arab Republic	6.7%	7.7%	6.4%	6.7%	7.7%	6.4%	7.0%	18.1%	4.6%	1.1%	3.0%	0.7%	7.9%	9.4%	7.5%	7.9%	9.4%	7.5%
Tunisia							**12.0%**	**35.9%**	**9.9%**	**1.6%**	**10.8%**	**0.8%**						
Yemen	4.6%	4.8%	4.5%	4.6%	4.8%	4.5%	1.7%	14.6%	0.6%	0.6%	2.8%	0.4%	6.1%	6.7%	5.8%	6.1%	6.7%	5.8%

Source: World Bank

Marginalization and Extra-Regional Migration

The Case of Tunisia

The extent to which Tunisia has been progressively marginalized from the global political economy is further revealed by the analysis of the most sensitive issue in the relationship between Tunisia and Europe: the issue of extra-regional migration, especially to Europe (Dodge and Higgot 2002; Zahlan 1999). Indeed, migration has progressively monopolized the Euro-Mediterranean dialogue and the policies implemented by the EU vis-à-vis its Southern Mediterranean neighbours.

It is undeniable that the number of Tunisians abroad has been constantly on the rise in the last decade, with an increase of the total number of emigrants registered in Tunisian Consulates abroad from 763,890 in 2001 to 1,098,200 in 2009. Most importantly for the purposes of this study, the dynamics of Tunisian migration are such that extra-regional migration to more developed countries, especially European ones, has prevailed over intra-regional migration (Fargues 2007; Fargues and Fandrich 2012). Indeed, the number of Tunisians moving to European countries in 2009 was 911,400, around 83% of the total, with the majority choosing to go to France, Italy and Germany. This is opposed to only 106,500 migrants in the Maghreb region and 48,400 residing in the rest of the Arab world.[9] It is important, although obvious, to underline that these figures usually underestimate the real number of migrants as they do not include irregular ones.

The importance of extra-regional migration in the case of Tunisia is clearly corroborated by the composition of its remittances and their evolution over recent years. Tunisia attributes great importance to the issue of remittances, given that at the end of 2010 it was estimated that around 10% of the total Tunisian population was living abroad (Bel Haj Zekri 2010). In 2006, total transfers from emigrants abroad increased to 2,010 million Tunisian dinars, which put remittances in third place as a source of foreign currency in Tunisia. In the period between 2000 and 2005 the evolution of remittance flows from abroad recorded an annual average growth of 10.61%. In the previous five years, this had been around 9% (Fourati 2009:1).

What is most important for our analysis is that almost all of the total remittances to Tunisia come from countries outside the MENA region and in particular from Europe. In 2006 the transfers from Tunisians residing in

[9] Source: CARIM south database website, http://www.carim.org/index.php?callContent559&callTable51803 accessed 24 May 2013.

European countries amounted to 1,784 million dinars, which represented a staggering 88.8% of total transfers in that year. This should be compared to a mere 175.7 million dinars coming from Arab countries, which only represented 8.8% of total transfers, whereas the other world countries, including Canada and the USA, only provided for 2.4% of total remittances, around 50 million dinars in 2006. This is a trend which has been confirmed by the data referring to the whole decade between 1995 and 2006 (Fourati 2009:2). Indeed, in this period the percentage of remittances coming from European countries remained stable at around 90% of total, which is pretty remarkable (Banque Central de Tunisie).

In 2009, the remittances coming from Europe were again around 88% of total remittances to Tunisia with around 2,323 million dinars, according to the data of the Tunisian Central Bank (higher amounts are provided by United Nations Conference on Trade and Development (UNCTAD), Boubakri 2011). Looking at the countries providing the highest amount of transfers, European countries are among the most important ones, with France first, followed by Germany and Italy (Banque Central de Tunisie).

The reality of extra-regional migration from Tunisia especially towards Europe prompted the Tunisian Government to adopt a well-defined policy-making strategy towards migration in the period before the revolution (Appleyard 1999). Experts point to the existence of two axes in Tunisian migratory policy in the frame of its Economic and Social Plan 2010–2014. One was directly aimed at promoting legal migration through agreements with European and non-European countries outside the MENA region (such as Canada, Australia, etc.). The other axis was to strengthen the links with Tunisians abroad with the aim of encouraging them to invest in the country and sustain its development (Bel Haj Zekri 2010). None of the two axes, however, seems to have worked effectively (Hibou et al. 2011). In particular, on the side of regulating the migratory process, despite the passing by the Regime of Organic Law 2004–2006 of 3 February 2004 (which was aimed at amending Law 75–40 of 14 March 1975 about passports and travel documents), irregular migration from Tunisia continued unhindered.[10] For example, in 2008, Tunisians became, for the first time, the largest nationality group of irregular migrants landing on the Italian island of Lampedusa. Their number was 6,762 which included 52 women and 184 minors. This was higher

[10] See for example B. Hibou, 'Le Partenariat en réanimation bureaucratique', and more generally the special number 'Les faces cachées du Partenariat euroméditerranéen', Critique internationale, n° 18, April 2003; J.-F. Bayart, Global Subjects. A Political Critique of Globalisation, tr. by Andrew Brown (Cambridge: Polity Press, 2007); H. Meddeb, Ambivalence de la politique migratoire en Tunisie (Paris: FASOPO, mimeo, 2008).

than the number of irregular migrants from Nigeria (6,084 migrants, including 1,787 women and 351 minors) (Boubakri 2013). It has been estimated that in 2008, Tunisians represented two-thirds of North African nationals (i.e. from the Maghreb and Egypt) who irregularly entered Italy through the island (Boubakri 2013).

Overall, experts do not envisage a slowing of the level of legal and irregular extra-regional migration in the years following the Arab Spring. This seems to be a dynamic that has already been established for decades as a consequence of the growing marginalization of Tunisia from the global political economy (Boubakri 2011:17; Fourati 2008; Bel Haj Zekri 2010). Indeed, many Tunisian highly skilled young people are expected to flee the country in the coming years, further adding to the already established phenomenon of brain drain (Boubakri 2011).

The data available in the literature shows that the number of highly skilled migrants abroad had been increasing by around 38% in 2007 and 2008 vis-à-vis the average of the period between 2001 and 2007 (Fourati 2010). The majority of them headed towards European countries, first France and then Germany and Italy (see Table 8 below). Overall, the share of extra-regional brain drain has always been above 80% in the first decade of the 2000s (Table 12.3).

The main determinant of brain drain is closely related to the marginalization of Tunisia. Tunisia increasingly lags behind in terms of the technological skills necessary to enter new global productive chains. This dramatically reduces the possibility for highly skilled personnel to find appropriate jobs in the country, thus leading to an increased incidence of brain drain (Bel Haj Zekri 2010). Indeed, looking at the evolution of the Tunisian labour market in the last three decades, it emerges clearly that highly skilled workers

Table 12.3 Tunisia: evolution of brain drain according to country of destination (2001–2008)

Destination country	May01–May02	May01–May02 %	May05–May06	May05–May06 %	May06–May07	May06–May07 %	May07–May08	May07–May08 %
France	2930	50.3	2620	45.6	3070	54.2	3650	45.6
Germany	490	8.4	540	9.4	970	17.1	620	7.8
Italy	320	5.5	330	5.7	410	7.2	830	10.4
Other European countries	720	12.3	630	11.0	260	4.6	500	6.3
Gulf countries	530	9.1	630	11.0	280	4.9	140	1.8
Other Arab countries	500	8.6	320	5.6	490	8.7	1440	18.0
Other countries	340	5.8	680	11.8	180	3.2	820	10.3
Total	5830	100	5750	100	5660	100	8000	100

Source: Elaboration of the author based on data by Fourati 2010:12

have been increasingly unable to find gainful working positions. The unemployment rate of workers with a degree in higher education increased almost ten-fold from 1984 to 2008, from as little as 2.3% in 1984 to as high as 21.6% in 2008 (Bel Haj Zekri 2010:6). On the contrary, in the same period, both illiterate workers and workers with only primary education have seen a decrease in their unemployment rates, from 15.2% to 5.7% and from 22.4% to 12.3% respectively (Bel Haj Zekri 2010:6).

This dynamic clearly demonstrates the impoverishment of the skills employed by the Tunisian labour market in a period in which, on the contrary, an up-skilling of the labour force was required to be able to catch up with the globalization process. In turn, unemployment or, better, the difficulty to find an appropriate working activity for the highly skilled, represents the main determinant of brain drain (Bel Haj Zekri 2010:6).

Furthermore, it is also debatable whether the growing patriotism following the revolution will encourage Tunisians residing abroad to increase their investment in the country of origin to limit the effects of marginalization and brain drain (Abdelfatta 2011).[11]

Overall, migratory flows from Tunisia following the Arab Spring seemed to confirm the already established profile of the Tunisian migrant. A survey of the Observatoire National de la Jeunesse conducted in 2005 showed that the percentage of young Tunisians (between 15 and 29 years of age) that were envisaging to migrate abroad, independent of their gender, level of education, socio-economic status or job opportunities, rose from 25% in 1996 to 75.9% in 2005. Many even openly declared that they were ready to revert to undocumented migration to move to a foreign country (around 15% of them) (Bel Haj Zekri 2010).

This profile is confirmed by the characteristics of Tunisian migrants to Italy immediately after the revolution (Ben Achour and Ban Jemia 2011). Between January and June 2011, around 25,800 Tunisians were reported to have arrived in Italy irregularly. Their profile was the same as reported by the survey of 2005; they were mainly young people, generally between 20 and 30 years of age but sometimes as young as between 13 and 17. They mostly moved from the poorest towns of Tunisia in the centre west (Sidi Bouzid, Thala, Kasserine, Gafsa) and the south (Gabes, El Hamma, Zarzis, Tataouine), as well as the poorest quarters of the big cities such as Tunis and Sousse. Most tellingly, their profile was the same as the young Mohammed Bouazizi whose immolation by setting fire to himself sparked the Tunisian Revolution: they were generally from large families, composed of four to eight members, which

[11] For a thorough analysis of return migration and investment (see Cassarino 2000).

would be sustained by only one breadwinner, earning between 4 and 8 dinars a day (between 2 and 4 euros) in precarious jobs without social security or employment rights (Ben Achour and Ban Jemia 2011). When asked about their motivations to leave a country now liberated from the grips of dictatorship, they answered that they could only choose between immolating themselves like Bouazizi or undertaking the irregular migratory journey to Italy for which they had to pay an amount of money between 500 and 1,000 euros. This is a very high fee to pay for their deprived families. Some of them even used the money extended to them as a compensation for the wounds inflicted to them during the revolution (around 1,500 euros) to pay for their passage to Europe (Ben Achour and Ban Jemia 2011).

It seems clear that political liberation did not represent for these migrants the end of their deprived condition which, as this chapter has attempted to demonstrate, originated in the discrepancy between the performance of the Tunisian economy and the global political economy. In a way, their decision to leave Tunisia after the revolution illustrated the extent to which their discontent was not so much a function of their political repression, but of their economic marginalization. Paradoxically, they used their newly acquired freedom to leave the country and it seems unlikely that this haemorrhage will stop in the future.

Egypt and Marginalization: Extra-Regional Migration and Brain Drain

There have been various phases in the development of migratory flows out of Egypt. Scholars (Appleyard 1999; Feiler 2003; Dessouki 1982; Amin 2000;

Table 12.4 Egyptian migration phases

Phase 1: Before 1974 "The early phase of migration"	Very limited migration, mostly highly skilled or politically determined
Phase 2: 1974–1984 "The expansion phase"	Expansion of temporary migration in the Arab oil-producing countries
Phase 3: 1984–1988 "The contraction phase"	Contraction of migration to the Arab world
Phase 4: 1988–1992 "The deterioration phase"	Significant flow of return migrant from the Gulf area to Egypt
Phase 5: 1992–2011 "The recent phase"	Significant increase of permanent migration to the more developed world
Phase 6: 2011– "After the Arab Spring"	Anything changes?

Source: Elaboration of the author

Zohry and Harrell-Bond 2003) generally refer to five phases. To this it may be necessary to add a sixth one starting after the Arab Spring, although it is still debatable whether the political change will actually make any difference in terms of emigration trends (Table 12.4).

The first wave, before 1974, was a consequence of the economic, political and social changes that Egypt underwent after Nasser took power, but it was limited in terms of numbers and social characteristics. Indeed, the social composition of migrants in this phase was almost totally represented by the upper classes, especially professionals and capitalists, who were threatened by Nasser's nationalization and property-seizing measures. Emigration was a consequence of the revolution and of its impact on the Egyptian social structure, especially in terms of substitution of the previous elite with the new, Nasserite one (Binder 1978; Kepel 1999). The main countries of destination of this first wave of migration were Canada and the USA (Amin 2000: 96–7). Thus, migration from Egypt in the 1960s was a very limited phenomenon both in terms of scale and of scope (Choucri 1978).

Migratory flows out of Egypt became a sizeable phenomenon only in the 1970s, especially after the inauguration of the liberalization process known under the name of infitah in 1974 (Seccombe 1985; Sell 1987; Ibrahim 1982:65). This coincided with the first oil shock, which facilitated intraregional migration from resource-poor MENA countries to wealthy members of the Organization of the Petroleum Exporting Countries (OPEC) which were experiencing sudden job shortages. In 1975, there were an estimated 1.6 million migrant workers in the labour-importing countries of Bahrain, Kuwait, Libya, Oman, Qatar, Saudi Arabia and the United Arab Emirates, of which 1.1 million were of Arab origin (Zahlan 1999). In 1970 the Egyptian Central Agency for Public Mobilization and Statistics (CAPMAS) estimated the number of Egyptians abroad to be a mere 70,000. In 1976, the number of Egyptian emigrants had become a staggering 1.4 million (Zohry and Harrell-Bond 2003). This migratory wave was however almost exclusively intraregional and of a temporary nature, involving mainly young, unskilled or semi-skilled male workers leaving Egypt and heading to the oil-rich countries of the Gulf or Libya, first after the 1973 boom in oil prices, and again after the second increase in oil prices in 1979 (Amin 2000:96–97).

The literature then identifies a contraction in the number of migrants from Egypt between 1984 and 1988 due to the reduction of oil revenues induced by the beginning of the Iran–Iraq war. This contraction was followed by a collapse of intraregional migration in the second half of the 1980s provoked by the Iran–Iraq war, the fall of oil prices, the declining demand for construction workers in Arab countries, and the policy of replacing foreign labour with nationals in the Arab Gulf States (Zohry and Harrell-Bond 2003; contrary Zahlan 1999). This state of affairs was exacerbated after the first Gulf war, producing significant levels of return migration from the Gulf area to Egypt. As a result of the war, about two million people, including more than two-thirds of Kuwait's citizens and more than a million foreign workers, were displaced from Kuwait, Iraq and Saudi Arabia (Russell 1992). By the conclusion of the war, virtually all Egyptian immigrants in Iraq and Kuwait returned to Egypt or were displaced to other countries in the region (Russel 1992:721). The International Labour Organization (ILO) estimates a reduction of around 21.5% in the Egyptian emigrant population between 1989 and 1991, from 1,964,000 in 1989 to 1,541,000 in 1991 (ILO 2008).

The following period is identified in the literature as a truly new phase in the development of outward migration from Egypt, and one which is related to its increasing marginalization from the global political economy. It is characterized by a marked increase in extra-regional permanent migration. Between 1990 and 1998, the number of permanent migrants to developed countries increased on average by 83%. In particular, permanent migration to Europe increased by around 125% (from 225,251 to 506,028 migrants) whereas intraregional temporary migration increased by only 68% (CARIM 2008).

This trend towards an increase in permanent migration, especially to Europe, was confirmed in the following decade, from 1998 to 2008. Data from Egyptian consulates abroad shows a marked increase in the total number of Egyptians registered as permanent migrants in Europe, from 508,598 to 780,841 (an increase of more than 53%). Looking only at the official consular data, we can see that migration from Egypt increased overall by at least 30% in the last decade (Table 12.5). Of course these figures grossly underestimate

Table 12.5 Egyptian migration in 1998 and 2008

Country of residence	1998	2008
Total African countries	1,278	2,445
Total Asian countries	3,203	6,073
Total Oceanian countries	83,450	106,000
Total American countries	780,821	790,799
Total European countries	508,598	780,841
Total Arab countries	3,601,859	4,789,359
Main total	4,979,209	6,475,517

Source: consular records (Ministry of Manpower and Emigration)

Updated: 04/05/2012

Table 12.6 Educational level of migrants and non-migrants at last emigration (migrants) or five years ago (non-migrants) in 1997 (percentage)

Educational level	Migrants	Non-migrants
Non-formal Education	15.4	37.7
Incomplete Primary	18.7	18.5
Primary	7.8	8.8
Preparatory	4.2	4.9
Secondary	32.7	15.7
University or Higher	21.2	14.5
Total (%)	**100**	**100**
Number	1.121	3.672

Source: Ministry of Manpower and Emigration as reported by CARIM 2008

Updated: 07/02/2005

the real number of Egyptians abroad because they do not include any estimates for irregular migration (Zohry 2007).

Another important characteristic of this new, marginalization-induced wave of migration from Egypt was that it did not only include unskilled or semi-skilled migrants, as the previous ones, but also involved skilled or highly skilled labour.[12] Indeed, looking at the characteristics of Egyptian workers abroad, it is clear that they are on average more educated than the non-migrant population (Table 12.6 below).

The little data available shows that the number of Egyptian migrants who did not receive any formal education is more than 20% less than in the non-migrant population. The number of migrants who received secondary education also exceeds the number of non-migrants who received it by more than 20%. Furthermore, the percentage of migrants with a university degree or a higher level of education is 21.2% while that of non-migrants with a similar level of education is only 14.5%. These indications of brain drain are confirmed by the employment dynamics of Egyptian migrants abroad. Looking at the figures relating to the occupation categories of Egyptian workers in Arab countries from 1985 to 2002, a clear tendency towards an increase in the numbers of highly qualified migrants emerges. Indeed, while the percentage of work permits granted to scientists and technicians was 20.4% in 1985, this number had doubled in 2002 (41%). Also, the number of managers has increased, whereas there were 10% fewer production workers and the number of clerical workers has lowered from 8.8% to 1.5% (CARIM 2008).

Permanent migration to more developed countries has always represented a source of brain drain as it has mainly involved more educated workers (ILO

[12] Highly skilled workers are defined as those studying or having studied towards a university degree or possessing equivalent experience in a given academic field (IOM 2005).

Table 12.7 Permanent migrants flows by level of education in the period 2000–2007

Permanent migrants flows by level of education in the period 2000–2007							
	PhD	Masters	High diploma	University	Intermediate	No qualifications	Total
2000	8	12	8	243	233	32	536
2001	5	14	12	322	334	31	718
2002	10	10	11	274	323	24	652
2003	4	2	2	167	104	14	293
2004	3	16	9	200	115	14	357
2005	5	15	9	196	180	20	425
2006	4	12	7	210	124	11	368
2007	3	10	10	198	145	7	373
Total	42	91	68	1810	1558	153	3722

Source: CAPMAS 2007

2008). As extra-regional permanent migration has been on the rise in recent times, brain drain has also increased. Indeed, according to recent data, more than 77% of Egyptians heading to OECD countries or to the USA have completed their tertiary education, around 19% their secondary education, and only 4% have only their primary education. As far as the kind of professions which are involved in this brain drain, Nassar reports that at the beginning of the 2000s 18.3% of highly skilled migrants from Egypt were employed in medical sciences, 32.2% were engineers, 36.5% were working in social sciences, 8% in basic sciences, and 5% in agriculture (Nassar 2005:8) (Table 12.7).

Similar considerations relating to the extra-regional permanent migration dynamics of highly skilled Egyptian workers who have headed to more developed OECD countries also confirm the hypotheses made in the theoretical section of this chapter. That is to say: the marginalization of Egypt and of the MENA region from the global political economy reduces the possibilities of employing highly skilled personnel in the country, thus further adding to its marginalization. The country seems to have entered a vicious circle which is becoming more and more difficult to break (IOM 2005).

Has the Arab Spring modified the characteristics of Egyptian outward migration? Studies conducted immediately after the Arab Spring seem to confirm a continuation of the previous trend, in the sense that post-2011 extra-regional migration presents characteristics similar to the previous phase (Abdelfatta 2011; Hafez and Ghaly 2012; Fargues and Fandrich 2012; Fargues 2007).

A study conducted by two scholars of the Center of Migration and Refugee Studies of the American University in Cairo in 2012 examined perceptions of Egyptian migration after the Arab Spring. Professors, political activists, political party founding members, analysts and experts were asked for their opinion on the future of migration and migratory policy in Egypt. As could have been expected, migration did not figure as one of the top priorities in the post-revolution political climate. What emerged, however, was a general consensus that migration, and especially migration of the highly skilled, will inevitably continue even at a faster rate than before because "push factors exist and I think increased after the revolution" (Hafez and Ghaly 2012:11).

Furthermore, and risking circular reasoning, the push factors which led young people to leave Egypt before the uprisings, including economic marginalization, have also been recognized as the roots of the Arab Spring itself (Abdelfatta 2011:8). The International Organization for Migration (IOM 2011) was one of the first institutions to carry out a survey of the motivations for migration after the events of 25 January 2011. Of 750 Egyptians interviewed, 79% of the respondents stated that their biggest problem was employment, 43% claimed that the level of wages and salaries was too low and the other major problems cited were corruption, security, education and health. Contrary to expectations, the political and economic stability of Egypt were not perceived as problems and more than 50% of the respondents were optimistic about the political and economic security of Egypt in the future. Those who wished to migrate because of the revolution of 2011 totalled only 15% of the respondents, while the others were either willing to migrate or had already taken the decision to migrate before the revolution. The main push factors continued to be a lack of job opportunities and bad living conditions (IOM 2011).

Comparing these results with the Survey of Young People in Egypt (SYPE) carried out in 2009 by the Population Council, for which 15,000 Egyptians between the ages of 10 and 29 were questioned, we find that the numbers are very consistent. The percentage of potential migrants in the pre- and post-revolution surveys is very similar, and also before the Arab Spring a lack of job opportunities was the main push factor. Moreover, this was not dissimilar from the result of a push and pull factors survey covering several countries in addition to Egypt, conducted in the year 2000. Overall, the literature seems convinced that economic motivations are the main push factors in pre- and post-revolution surveys, although for certain categories such as the Copts, the Christians and certain segments of the elite, instability and a lack of security are new push factors that will need to be taken into account (Abdelfatta 2011:8).

More in general, permanent extra-regional migration does not seem to have been affected by the Arab Spring, but appears to be following previous trends and the main changes in flows have come within the region (Fargues and Fandrich 2012).

Conclusion

Concluding, the discussion in this article points to the fact that, rather than catching up with the process of globalization, Egypt and Tunisia appear to be increasingly marginalized from the global political economy while the MENA area does not present clear signs of both *de jure* and de facto integration.

The rhetoric about Tunisia spread by international organizations, most notably the World Bank and the IMF, but to some extent also the EU, had endorsed the idea of the Tunisian economic miracle. Tunisia was singled out as the "Mediterranean dragon", the example to follow in terms of economic growth, implementation of structural reforms, liberalizations and privatization to achieve macroeconomic stability.

Despite the fact that the Tunisian economy seemed to have reacted well to the strong restructuring cure administered by the IMF at the end of the 1980s, the reality was that the programme failed to achieve the objective of integrating the country in the global political economy. On the contrary, its relative marginalization increased over the course of the following two decades. This further aggravated the internal contradictions of neoliberal restructuring and produced growing discontent. In the realm of civil society, an alliance between the impoverished middle class and the lower strata of society was forged in the name of a political Islam that had been brutally repressed by Ben Ali's regime.

Marginalization from globalization also engrossed the files of those who were prepared to undergo irregular migration to escape the country and the region, perhaps forever. This was especially true for those growing sections of the highly skilled labour force which were increasingly unable to find a job appropriate to their skills level. They were as a result more and more willing to flee Tunisia in search of better opportunities in Europe. This process clearly did not stop with the newly acquired political freedom from the authoritarian regime. On the contrary, extra-regional migration after the revolution reproduced exactly the same patterns as before, further adding to the conclusion that discontent in Tunisia was not political, but economic.

Indeed, the thousands of young Tunisians arriving on the Italian shores in the few months after the liberation of the country from Ben Ali presented similar socio-economic and demographic characteristics to those who had left the country before and were migrating for exactly the same reasons. Moreover, they mostly presented a similar profile as that of Bouazizi, although they decided to manifest their discontent in a different way to him. Paraphrasing the claim of one migrant, they could either do as Bouazizi or leave the country by any means, including irregular ones. There were many "Bouazizis" whose decision to escape was clearly not influenced by the political liberation of the country.

It is debatable whether these are strong bases on which to build a new Tunisia, but this is outside the scope of this analysis which now turns to the other allegedly successful revolution in the region, the Egyptian one.

Egypt is indeed another one of the MENA area countries experiencing a decrease in its share of FDI stock in the last three decades. Despite a policy of liberalization and privatization, inaugurated in 1974 with the *infitah* of Sadat, Egypt failed to become attractive to foreign investors. Instead, both its share of FDI stock and its share of FDI inflows in the last 30 years have substantially decreased. The country has also been marginalized in terms of M&A, and its trade openness has remained at the same very low level throughout the 1990s.

Paradoxically, this has happened even though the country had successfully implemented substantial restructuring and stabilization programmes under the auspices of the IMF and the World Bank. Overall, it would be fair to say that the country moved from liberalization directly to marginalization, providing a clear example of the fact that the adoption of neoliberal policies does not necessarily lead to more integration in the global political economy.

As a result, after decades of liberalization, privatization and economic restructuring, Egypt continues to rely heavily on remittances as one of its most stable sources of gross domestic product (GDP), and these come increasingly from the most developed countries, first of all the USA and also Europe. Indeed, permanent extra-regional migration of especially skilled and highly skilled migrants is on the rise, and this signals the growing marginalization of the country from the core political economies. Such a pattern constitutes a vicious circle which the Arab Spring does not seem to have been able to break, but could have even made worse.

Overall, the path towards marginalization in both countries does not seem to have been inverted by their changes of regimes in 2011. This in turn has produced migratory dynamics which do not seem to have substantially modified their pre-Arab Spring patterns.

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13

Crises as Driving Forces of Neoliberal "Trasformismo": The Contours of the Turkish Political Economy since the 2000s

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Writing nearly three decades ago, a prominent scholar of Turkish political economy was expressing a feeling widely reflecting the state of affairs at the time "that Turkish studies were excessively insular" so as to drive home the point that there is a need for establishing closer links with the theoretical debates pertaining to developmental issues so "that students of social, political and economic change in the Third World could benefit from a knowledge of the Turkish example" (Keyder 1987: iv). More recently, it has been purported that "Turkish experience provides valuable lessons for other emerging markets in particular and developing countries in general" (Öniş and Şenses 2009: 313). No doubt, the academic interest in Turkey has soared particularly with the coming to power of a political party, Islamist Justice and Development Party (AKP), with its Turkish acronym that kept baffling the observers of the Turkish case with its style of ruling during the last 13 years. It is indeed remarkable that there has been a proliferation of studies undertaken by both Turkish and non-Turkish scholars with a quest to account for the dramatic changes that have been experienced in terms of state-society and/or state-economy relations over the last few decades, as the country has been portrayed not only as an "emerging market economy" but also as a regional and global power. Yet, it is debatable whether this rise of interest has paved the ground for putting the Turkish example in a broader comparative framework so as to conclude that the declared intention of earlier studies has been duly

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accomplished. Nor is it plausible to suggest that a critical political economy perspective has come to characterize most of the recent studies which claim to focus on "the changed political-economic character of Turkey" (Barkey 2011), as it has been described, allegedly, "from being one of the world's sealed off societies" to become "one of its more open and penetrated" (Park 2012: 207).

In Quest of a Theory: Predicaments of the Hegemonic Discourses on the Relations Between the State and the Market and/or Civil Society

One basic reason for this rather disappointing state of affairs for "Turkish studies" from the perspective of critical international political economy has been the persistent tendency to characterize the rather significant changes that have been under way for more than three decades in terms of a set of binary dichotomies such as state and market and/or civil society perceived as being externally related, if not as ontologically distinctive domains, with their own logics and principles. Indeed, the saliency of these binary oppositions have been considered still relevant in the light of global and regional dynamics that are said to have a transformative impact on the Turkish political economy, notwithstanding the claims to go beyond them (cf. Buğra 2003; Keyman and Öniş 2007: 2; Keyman and Gümüşçü 2014: 18). There is a continuing predilection to think in terms of such dichotomies so as to underline either "the peculiar nature of Turkish modernity" (Keyman and Öniş 2007: 10) or "new capitalism in Turkey" (Buğra and Savaşkan 2014) which, in turn, reproduces yet another variety of relativism. While these studies could also be seen as a reflection of the so-called "cultural turn" in political economy—which purports to develop an understanding of systems of signification and subjectivity as constitutive of social reality—in the Turkish context, their treatment of "culture" as a "resource" to generate strategies is an important factor in the perpetuation of different modalities of relativist accounts (cf. Buğra 1998, 2002a; Keyman and Koyuncu 2005). A major thrust of such characterizations has been to denote the particularities of the Turkish political economy against an ideal type depiction of a market-based order that is assumed to reflect the distinctive features of Western capitalism, particularly in the neoliberal era.

For many, "modernity" which was supposed to be "a potentially liberating historical condition" (Bozdoğan and Kasaba 1997: 6), turns out to be something loathed rather than celebrated as it would be portrayed as "a conscious imposition by modernizers" because of "the historical genesis of state tradition in Turkey" (Keyder 1997: 37, 39). Thereby, as the latter is said to imply "a state-centric way of governing society from above", by "a particular category of elite who acted in the name of the state", "the state in Turkish modernity" would be characterized "as the privileged and sovereign subject" with "the capacity of transforming society from above" whilst "assuming virtually complete autonomy" from the rest of the other groups (Heper and Keyman 1998; Keyman and Öniş 2007: 275).[1] For others, it is best to be understood as "the modern praetorian state" where the military and civilian bureaucracy, "lodged in the very center" established a "regime of the tutelage" (İnsel 2007). Curiously, this entailed the portrayal of the state in question as being authoritarian and paternalistic (Keyder 1997: 48) as well as its state-centric mode as being hegemonic (Keyman and Öniş 2007: 277; Keyman and Gümüşçü 2014: 15). To the extent the republican state would be the concretization of this project of modernity, there is a strong tendency to refer to it by its founding figure as Kemalism[2]; thereby, its identification as a "hegemonic ideology" (Parla 2004: 35). Trapped in the continuity/rupture nexus, the "Kemalist republic" would thus be conceived as the heir to "the authoritarian Ottoman state tradition" (Kramer 2000: 8) as well as constituting a break with it to the extent that a set of attributes such as secularism and national developmentalism was to be highlighted as the distinctive features of its project of modernity. In line with the identification of the project with that of the state, however, the crisis of the latter would portend the exhaustion of the former (Keyder 1997: 37). In this regard, the military regime of the early 1980s was said to signify not only a change in the mode of integration of the Turkish economy with the global economy, but also "the deepening of the crisis of Kemalist nationalism in reproducing its hegemony" (Keyman 1995: 112). In other words, it was "the state in Turkey" which had initially become hegemonic (Tuğal 2006), but subsequently depicted as being "no longer capable of imposing its Kemalist hegemony" (Yavuz 1999). Yet, there has also been assertions about "the legitimacy crisis of the strong-state tradition" and "the legitimacy and governing crisis of the state" (Keyman and Koyuncu 2005).[3]

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[1] While there has obviously been an appeal of the notion of modernity in the neoliberal era to come to terms with the transformation of the development model in which the State played a key, central role as reflected across the Global South, and in Latin America in particular (cf. Garreton 2002); it is worth noting what F. Jameson has reminded us: "'modernity' is something of a suspect word in this context, being used precisely to cover up the absence of any great collective social hope, or telos, after the discrediting of socialism. For capitalism itself has no social goals. To brandish the word 'modernity' in place of 'capitalism' allows politicians, governments and political scientists to pretend that it does, and so to paper over that terrifying absence" (Jameson 2000).

[2] As duly noted, "the term Kemalism is not of Turkish origin but has been invented by foreign analysts of modern Turkey" (Kramer 2000: 249).

[3] See Yalman 2007 for a critique of this kind analysis as a typical case of what Roy Bhaskar (1993) called "the linguistic fallacy" that is, the conflation of the analysis of social reality to "our discourse about being".

Such theoretical discord to portray state-society relations in Turkey for most of the republican era, in fact, owes a great deal to the dominant paradigm of "centre-periphery relations" which has been treated as the key to understanding Turkish politics (Mardin 1973). This perspective by identifying civil society as "the missing link" of the Ottoman-Turkish social formation (Mardin 1969), in fact, provided a perfect example of what could be dubbed as the "theory of absences" (cf. Turner 1994: 39–40). The corollary of this, however, was to contend that the main lines of social cleavage in the Turkish context had not, and has not been between the social classes (Mardin 1978).[4] It has been the idiosyncrasy of this labelling subsequently to provide the theoretical underpinnings of the post-modernist analysis of the state-society relations as reflected, for instance, in the recent debates about the compatibility of Islam and democracy. Thereby, the centre-periphery dichotomy would be readily translated into a secular-religious divide as one of the main social and political cleavages of contemporary Turkey.[5] This would, in turn, give rise to another trendy labelling to describe the underlying political antagonism "between the 'old Turkey', represented by the Kemalist establishment, and the 'new Turkey', represented by civil society" (Yavuz 1999). As secularism—depicted as the control of the religion by the state so as to ensure that Islam played no role in political life—was said to be imposed on the religious masses, it becomes rather difficult however, to come to terms with the characterization of Kemalism as a hegemonic ideology.[6]

It is also noteworthy that the secular/religious divide would assume a further ideological function by subordinating and/or denying class differences as the latter would be conceived as a "cultural divorce between the haves and have-nots" (cf. White 2002: 101; Savran 2015). In terms of elite/mass distinction characteristic of certain conceptions of populist politics, the have-nots associated with pious Muslims would be the disadvantaged against the secular elites. While this would lead to the contention that identity-based cleavages is said to overtake class as "the centerpiece of ideological and political conflicts"

[4] See Yalman 2009, Chapter 3 in particular, for a critical assessment of this dominant paradigm, see also Toprak 1996.

[5] "It is an oversimplification to see the current political tensions in Turkey as a struggle between "Islamists" and "secularists". Rather, these tensions are part of a struggle for power between newly emerging social sectors and the secularized elite—a struggle between the "periphery" and the "centre" that has deep roots in Ottoman and recent Turkish history. The democratization of Turkish society since the mid-1980s has opened up political space for forces that had been largely excluded from politics (including Islamists) to organize and propagate their views" (Rabasa and Larrabee 2008).

[6] Interestingly, even in post-Marxist reformulation of Gramscian notion of hegemony, it would not be plausible to refer to "Kemalism" as hegemonic, since its nation building project "proceeded not through the construction of equivalential chains between actual democratic demands, but through authoritarian imposition" (Laclau 2005: 212).

(Buğra and Savaşkan 2014: 54), others would argue that "the concept of social class in Turkey is very much bound up with cultural practice" (White 2002: 101). Somewhat reiterating the latter and focusing on intra-class cleavages, it has been pointed out that there has been a certain overlap between large versus medium-scale capital differentiation and its cultural-cum-political representation in terms of businessmen associations which have flourished in the country since the 1990s (Bekmen 2014: 63).

From the 1990s onwards with the emergence of political Islam as a potent adversary of the secular state, there has been not only a renewed interest in studying politicization of Islam (Ayata 1996), but also to perceive Islamic movements as part of a civil society vying against the authoritarian state. Hence there would be either an emphasis on Islam as a "network resource" in reference to outlawed, but functioning religious orders (*tarikats*) or an identification of Islamism[7] as "an instance of counter-hegemony" with a capacity to establish "cross-class" coalitions and with an aspiration to make cross-national claims (cf. Buğra 2002a; Mardin 2005; Gülalp 2001; Tuğal 2002; Öniş 2006). With the coming to power of AKP from 2002 onwards, it would thus become "common sense to see the former Islamists as the expression of civil society against the authoritarian state" (Tuğal 2007; cf. Navaro-Yashin 2002: 130–131). Moreover, there has been a tendency reflected in both academic and journalistic accounts to present the Turkish case so as to falsify the arguments about the incompatibility of Islam and democracy (Sayarı 2012), hence the promotion of "Turkish model" and/or revisiting "Turkish Islamic Exceptionalism" (Mardin 2005; Rabasa and Larabee 2008).[8] These would gain pace especially in the immediate aftermath of the so-called Arab Spring.

If the centre, i.e. the coercive state, identified with the strong-state tradition had been portrayed as the villain which choked off the emergence of a viable civil society and *ipso facto*, consolidation of democracy in the country for decades, no less saliently, it was also condemned as the major source of uncer-

[7] "Islamism … refers to forms of political theory and practice that have as their goal the establishment of an Islamic political order … as a holistic, totalising system whose prescriptions permeate every aspect of daily life" (Mandaville 2007: 57–58).

[8] Curiously there is a certain appeal of this notion of "exceptionalism" for the analysts of the Turkish case although for quite the opposite reasoning. While for Mardin the emphasis has been on what he called interpenetration of Islam and secularism, thereby creating "a special setting for Islam" in the political space (Mardin 2005), for the advocates of the alternative usage of "Turkish exceptionalism" the emphasis is on the radical purging of the influence of Islam from the political and legal order as well as from the socio-cultural and educational spheres by the republican state (Savran 2015). Put differently, the first implies a process of "sacralisation" and "de-privatisation" whereby the presence of Islam is felt strongly in different spheres of social life, whereas the second, that is, secularism in the Turkish republican project implies, its exact opposite, that of "desacralisation" of politics, i.e. the abolition of sacral legitimation of political power and authority (cf. Keyman 2007).

tainty impeding the development of "a self-confident bourgeoisie enjoying a hegemonic position" (Buğra 1998). This has been described as the Turkish state playing a "society and economy shaping role" much more significantly than its counterparts in the West (Buğra 1998, 2002b).[9] While this reflects a clearly stated adherence to Karl Polanyi, it has also a significant affinity with those versions of "new political economy" and/or "historical institutionalism" which consider the state as a key explanatory variable of the development process, though more often than not as an impediment to a functioning market economy. However, it has been pointed out that while the emphasis has always been on "the enduring centrality of the state", highlighting "the path-dependent characteristics" of processes of change, "Turkey has not attracted scholarly attention" in a comparative political economy framework with an institutionalist hue (Bölükbaşı 2012: 342).[10]

By the same token, there is an inclination to perceive social class as a rather ineffective agent of change, if at all, thus tend to dismiss class analysis, on the grounds that it is unable to explain "policy change". This has been a well-established tendency of the neoliberal era when there was a savage assault on the democratic rights and freedoms of the working class in many capitalist countries. But it has been maintained so as to account for the changing nature of government-business relations in Turkey under the impact of globalization whilst it was held that there was still "a broader scope for discretionary political intervention into the economy". Indeed, it has been contended in line with the centre-periphery paradigm, but with reference to Karl Polanyi that class analysis has been inadequate in the Turkish context especially during periods of rapid social change (Buğra and Savaşkan 2014: 4).[11] Instead, there is a tendency to develop analysis of state/society and/or state/economy relations in terms of "coalitions" and/or "networks" (Adaman et al. 2014; Buğra and Savaşkan 2014; Öniş and şenses 2007; Öniş 2009, 2010, 2011) which is a characteristic of institutionalist approaches in general, political economy analyses on individualistic foundations in particular. Yet, these networks have been read in the contemporary Turkish context as a manifestation of "par-

[9] "It is necessary to build a theory of the State's role in *shaping* and *creating* markets – more in line with the work of Karl Polanyi who emphasized how the capitalist 'market' has from the start been heavily shaped by State actions" (Mazzucato 2013); see also Watson (2005: 19) for a critical evaluation of IPE theorists for posing the problem of international order in terms of "how states shape markets".

[10] There have been some attempts to put the Turkish case in a comparative framework, for instance, by identifying its common features with the so-called Southern European welfare model (cf. Buğra and Keyder 2003); see Yalman 2011 for a critique.

[11] "When classes struggle for their own sectional interests they are going to be ineffectual, but when they struggle to defend or expand society, then they are likely to be much more successful. In other words, for Polanyi, society is the transcendent historical category and not class!" (Burawoy 2003).

ticularism", i.e. the mechanisms which provided advantages to selected business groups on the basis of particularistic and informal relations with political authorities (Buğra 1998, 2003; Buğra and Savaşkan 2014: 77, 95).

While the common feature of most of these studies is a state-centred perspective, it is possible to distinguish those that adopt a "state-centered though anti-state" position so as to eliminate rent-seeking activities identified as a historical legacy of the state tradition and/or as a consequence of networks oriented towards them (cf. Adaman et al. 2014; Karadağ 2010, 2013) from others who purported that

> the more successful states in the neo-liberal era have been *pro-active states* which have deviated from neo-liberal norms in certain crucial respects … in terms of the ability to generate sustained economic growth with social cohesion and to avoid costly financial crises. (Öniş and Şenses 2007, emphasis original)[12]

Such a perspective obviously entails the conception of the state being the locus of a coherent and rational policy "external" to capital. This is also implicit in less heterodox, albeit state-centred, approaches which urge the states in question to adopt "competition-enhancing reform packages" so as to "attain a more rule-based and transparent framework for economic policy". This would be presented as a panacea for overcoming particularism by developing "a regulatory framework in which the political authority is constrained in its ability to discriminate among firms on the basis of political connections" (Atiyas 2014). Put differently, it should herald a "proactive approach" for developing "the regulatory capacity of the state" (Öniş and Bakır 2007).

In short, one is confronted with conceptualizations of the state both as an instrument and as a subject with its own independent will, that is, a methodological trap which Nicos Poulantzas had warned against and developed his alternative conceptualization of the capitalist state as a condensation of power relations. It is also striking that most of the contributors to this dominant paradigm, notwithstanding their epistemological differences, tend to disregard or simply ignore the methodological critiques levelled against their analyses.[13] Indeed, there has been no response to the critique that "the state remains as an enigma, for it essentially functions as an *explanan* rather than being considered as an *explanandum* itself" (Yalman 2009: 119). Their

[12] See also Eder 2001; similarly, there has been calls for the formation of "the strategic-effective state" to pursue international competitiveness and improved social and distributive justice in the countries of semi-periphery (Ünay 2006: 154).

[13] See Ercan 2001 for an early critique of the state-market dichotomy as a common feature of neoliberal-cum-institutionalist as well as national developmentalist analyses.

intellectual influence, however, was not circumscribed with the academic debate as this particular reading of Turkish historical development gave rise to a discourse that has been described as having gained a *dissident but hegemonic* quality (Yalman 2002).[14] Paradoxical though this description may sound, this particular discourse would entail a confirmation of the *sui generis* reality of the Turkish state, but complain about its role in preventing the emergence of a market economy in accordance with an idealized Western model, notwithstanding the successive rounds of "reforms" since the 1980s which kept the Turkish economy strongly moored to the dock of neoliberal policy prescriptions. Accordingly, the prevalence of binary oppositions has functioned more as hegemonic apparatuses than as explanatory variables.

There are of course several valuable studies which analyze the Turkish experience in neoliberal transformation inspired by the modalities of critical international political economy. These included attempts which perceived the Turkish state as a key agent of capitalist development by making use of conceptual categories of the Marxist theoreticians such as Antonio Gramsci and/or Nicos Poulantzas, and/or tend to adopt the strategic-relational approach as developed by Bob Jessop largely inspired by the latter. But there are also studies critical of neoliberal paradigm, yet not specifically identifying the state as their object of inquiry. Among them, special mention should be made of a series of studies undertaken by a group of radical political economists which included Marxist and heterodox economists, known as Independent Social Scientists—BSB with its Turkish acronym since the turn of the century.[15] Moreover, there have also been studies which claimed to adopt a class-theoretical and/or capital theoretical perspective as well as others by the so-called neo-Gramscian perspective. The latter aspired to describe it as the process of formation of a neoliberal transnational historical bloc with the aim of restructuring the Turkish state so that it becomes a key agent of making an environment more hospitable to transnational forces of contemporary capitalism. It also tended to criticize other critical perspectives for neglecting the transnational dimension in their analyses (Şenalp and Şenalp 2012).

It is noteworthy that there has been a rise in the popularity of Gramscian notions such as hegemony, historical bloc, passive revolution, organic crisis,

[14] See Akça et al. 2014 for a further critique of this dissident but hegemonic discourse's impact on academic analysis as well as on the political debate in the country; see also Hoşgör (2015) for a brief review of activities of the so-called left-liberal intellectual circles, concerned with human rights issues, functioning as organic intellectuals of this dissident but hegemonic discourse, raising their "voices against the authoritarian state along with pious-Muslims".

[15] See http://www.bagimsizsosyalbilimciler.org/ for their published studies mostly in Turkish; see also BSB (2006).

war of position, etc. to come to terms with the significant changes in the state-society relations in Turkey during the neoliberal era. While this trend has been accentuated with the coming to power of AKP, this was by no means confined to those who would identify with the critical political economy approach. Indeed, a new generation of intellectuals who have come to the fore from the late 1990s onwards would attempt to develop their own blends of seemingly Gramscian notions without necessarily pretending to adhere to the methodological strictures of critical political economy tradition of which Antonio Gramsci was a prominent representative.[16] Similarly, Poulantzasian conceptual pair of state form and political regime seems to have provided an attractive terminology to ponder about the turbulence of the Turkish political scene as highlighted by a flurry of heated debates which tended to portray the recent political conjuncture as a regime crisis and/or a state crisis.

From "Democratization" to "Islamization": Changing Perceptions on "New Turkey"

The case of Turkey is illuminating so as to problematize the dynamics of change within the context of the authoritarian form of the state that has characterized it from the 1980s to the present.[17] An important dimension of the Turkish experience in the post-2001 phase of neoliberal transformation which needs a special focus, relates to the constitutive role played by AKP. In a deliberate attempt to entrench the substitution of class-based politics with identity-based politics which it inherited from the post-1980 period, AKP has engaged in yet another phase of the restructuring of the state. By instrumentalizing the debates among the Western liberal intellectuals such as multiculturalism and the politics of recognition on the one hand, and the dismantling of the historical posture of the Turkish military as the defender of the secular regime on the other, it attempted to gain the mantle of the democratizing force in Turkish politics.

The organic intellectuals of the *dissident but hegemonic* discourse attempted to portray this as the possibility of "normalising" the political regime, thereby attributing to the AKP government "the mission of ending the September 12

[16] See Morton 2013 for a substantive methodological critique of such studies to emphasize the point that distinctions made between concepts such as civil society and political society were merely methodological rather than organic, i.e. ontological distinctions for Gramsci.

[17] See Yalman 2002, 2009; Bedirhanoğlu and Yalman 2010 and Bedirhanoğlu et al. 2013 for critical evaluations of the process of transition to neoliberalism and its subsequent evolution in Turkey.

regime" by identifying it as a "conservative democratic transformation from below" (İnsel 2003). Others contended that

> The summer of 2004 has seen a new sense of optimism in Turkey. A stable government has garnered a series of successes both in legislating democratic reforms and in international diplomacy. Long-promised rights and safeguards have been put in place, significantly reducing the authoritarian legacy of the republican state. (Keyder 2004)

In that context, the protracted saga of Turkey's quest for the European Union (EU) membership provides an interesting case for analyzing the changing modalities of state-market and/or state-civil society relations. At the same time, it provides a highly illuminative case to articulate the ways in which the EU emerges as a key player which changes the rules and the structures of policy-making for the member states as well as for others aspiring to be full members.

> Turkey has increasingly found itself in a virtuous cycle in recent years with political and economic reforms and the stronger prospects for EU membership providing a strong basis for economic recovery … (Öniş 2006)

In the light of the political developments which followed AKP's coming to power in November 2002, the process of *Europeanization* in the Turkish context seemed to have taken a new twist. Indeed, it has become quite trendy among the liberal intelligentsia both in Turkey and the West, to attribute a new and unprecedented quality to it. Thus, the EU accession process was celebrated for transforming an Islamist political movement into a party that embraces the norms of liberal democracy. The latter, in turn, is said to have played a key role in the further democratization and Europeanization of the Turkish political system.

> AKP … laid the foundation for a different political system that has allowed Turkey's Islamic identity and values to be expressed in line with the values of freedom, the rule of law, justice, and transparency. (Nafaa 2011)

Hence, the symbiotic relationship between political Islam and neoliberalism gained saliency as a mechanism of transforming state-society relations so as to constitute, allegedly, a new historical bloc by pursuing a war of position within the constitutional constraints of a formally secular state.[18] Yet, this

[18] Initially, this symbiosis led to the inclusion of the Turkish case as an example of what has been characterised as "post-Islamism" (Bayat 2007: 40–41).

would be rather explained away with the idea of the emergence of a "New Turkey" with an emphasis on "new" as a key explanan of dynamics of change which still left the state as a black box, to use an often repeated euphemism.[19]

Whilst there has been an increasing attention paid to the political developments in Turkey in the West especially since April 2007, it is noteworthy that a particular discourse has found its reflection in the Western mass media as well as among the policymaking circles at the European level. Thereby, the intensification of political cleavages has been duly portrayed in accordance with the dominant discourse in the Turkish academic and media circles.[20] In the wake of the rather hectic, if not, traumatic developments taking place in the country following the failed attempt to amend the constitution by the AKP government in early 2008 so as to remove the headscarf ban for university students, there has been a renewal of the well-known tendency to portray the Turkish political scene once again in terms of rather misleading binaries. Accordingly, the processes of democratization-cum-Europeanization are said to be stalled by the institutions of the state, ranging from the military to the judiciary and even to the universities, whilst AKP is being depicted as the leading political force of democratization-cum-Europeanization process.[21] Consequently, the AKP government claimed to have assumed such a mantle by initiating a process of constitutional amendments which were eventually accepted through a referendum held, coincidentally, on 12 September 2010, the 30th anniversary of the military coup. While it was obvious that these changes aimed to strengthen the position of the executive over the judiciary in particular, a significant section of the liberal intelligentsia turned out to be enthusiastic supporters of these changes on the grounds that they would end the tutelage of the state, i.e. that of the civil and military bureaucracy over the society.

Ironically, a split seems to have occurred since then among the AKP's so-called liberal supporters, as some of them, including those who had initially attributed such a democratizing mission to the party in power, started criticizing it for being increasingly authoritarian in its political behaviour. Thus, albeit belatedly, there seems to be an acknowledgement of the fact that the

[19] "'New Turkey' becomes a catchword disseminated to the public in order to define the core elements of a particular national imagery aiming at hegemony" (Alaranta 2015).

[20] See Navaro-Yashin (2002: 130–137) for a critical, albeit constructivist, account of the ways in which state-civil society distinction was constructed as a political strategy on the part of the liberal intelligentsia so as to legitimize the ongoing restructuring of the state and, in turn, effectively instrumentalised by the Islamist political cadres since the 1990s; see also White 2002: 179.

[21] See for instance Morton Abramowitz and Henri Barkey, "Turkey's Judicial Coup d'Etat", *Newsweek*, 14.4.2008; M.Freely "Turkey Crisis: Hopes of Democracy are Hanging in the Balance", *The Observer*, 6.7. 2008; S.Kinzer "Breaking the Grip of Turkey's Military", *The Guardian*, 7.9.2010.

AKP mode of governing is wreaking havoc with the rule of law and the principle of separation of powers considered as the fundamental premises of a democratic form of government. Hence its depiction as

> the "new post-Kemalist Turkey" in the later phase of the AKP rule has moved to a new mode of "illiberal democracy", where formal institutions of democracy exist, but a civilian majority, with the religious conservatives as its dominant constituent element, increasingly monopolizing power and restricting the space for the rest of the society (Öniş 2014)

These, of course, gained added saliency with the shift in the perception of AKP—as a mildly-Islamist political entity, instrumental in democratizing the society—to that of an authoritarian and Islamist one bent on imposing conservative religious mores on the society in rhetoric and in practice, on the part of their counterparts in the West. The brutal ways in which the AKP government attempted to suppress the Gezi resistance in June 2013 seemed to have contributed to that shift of perception.[22] They would be increasingly critical of their Turkish counterparts for misleading themselves about the nature of the changes initiated. In short, it meant the end of expectations about "normalization", i.e. democratic consolidation under AKP rule.[23] Long gone were the hopes and expectations about the "Turkish model", with trepidations about the "Islamist-oriented" governments becoming "the new normal" in the region.[24]

Concurrently, critical analyses of the symbiosis between neoliberalism and political Islam as characterized by the AKP rule in the country over the last decade started to be the flavour of the times among the Turkish liberal-minded intelligentsia. A sudden reawakening to the pitfalls of finance-dominated model of capital accumulation seemed to be gaining pace in the wake of very

[22] A last minute public resistance to the destruction of a green park area in central İstanbul, known as Gezi Park, has brought forward a spontaneous mass movement which has no precedent in the recent history of the Turkish Republic. It brought together a diversity of organisations and groups so as to prevent neoliberal-cum-Islamist urban regeneration project of Gezi Park and its contiguous Taksim Square as promulgated personally by the Turkish Prime Minister. It would, however, be insufficient to portray their struggle as an example of "right to city" movement per se, for such demands have been coupled with a set of broader political demands for enhancing democratic rights and freedoms. Gezi Park resistance which has changed the political scene, if not, the actual balance of social forces in the country, showed that the resistance to the use of violence and imposition of policies by an authoritarian government can be rewarding, in that instance, in terms of protection of public space; thereby, negating the AKP government's efforts to discredit the very idea of resistance to its policies.

[23] As aptly, though belatedly, put, "there is no doubt that Western analysts, guided by Turkish liberals, have thoroughly misinterpreted the AKP's attempt to build a new Turkey" (Alaranta 2015).

[24] "Turkey's government is the new normal in the Middle East" http://www.washingtonpost.com/opinions/tukeys-government-is-the-new-normal-in-the-middleeast/2012/01/19/gIQA5GRaJQ_story.html.

serious corruption allegations involving the very top echelons of the AKP government since December 2013. Initially the adoption of "the appropriate regulatory framework for an outward-oriented, market-based development" in line with post-Washington consensus (Öniş 2009) had duly been celebrated so as to pave the way for "the emergence of a powerful pro-privatisation coalition" in which "a strong executive authority with high degrees of autonomy from key interest groups opposing privatization" would assume a central role (Öniş 2011).[25] Indeed, this would be seen as the signifier of the "new phase of neo-liberalism in Turkey", to be "associated with a process of re-building state capacity in line with the requirements of a globalized market economy" (Öniş 2009). While there has been an acknowledgement of this reformulation of the role to be played by the state as "new capitalism" (Munck 2005: 63), it has been asserted that "actually existing capitalism" in Turkey during AKP rule has not precluded "particularism in government-business relations" since the continuous modifications in the regulatory framework "expanded rather than limited the scope of political discretion". However, the predilection to think in terms of binaries would again manifest itself, as the "new system of capitalist governance" would be found "difficult to understand within the confines of a strictly Polanyian approach" (Buğra and Savaşkan 2014: 8).[26]

What is no less perplexing is the depiction of "two competing models of capitalist development" and promoting TÜSİAD—the representative of big business—as the advocate of the model that would "minimize the scope of political discretion" whilst "businessmen associations within the constituency of political Islam" were criticized for advocating "a broader scope for discretionary political intervention into the economy" (Buğra and Savaşkan 2014: 19). Similarly, Turkish capitalism has been found deviating from the norms of "modern capitalism" to the extent that "favoritism and corrupt business practices" have been increasingly identified with AKP rule (cf. Keyder 2014; Özcan and Turunç 2011). Such seemingly critical observations, in turn, provide fodder to the dubious claim that there is an implicit incompatibility between "crony capitalism" and neoliberalism on the grounds that even if the AKP governments were once genuinely committed to neoliberalism they are

[25] World Bank has been equally celebratory of "the regulatory and supervisory framework implemented to align more closely to EU standards" as part of the structural reforms (World Bank 2006) which preceded the coming to power of AKP but has been duly taken on board by it.

[26] In other words, this particular reading of "new capitalism" is a reflection of a more broader tendency to establish an affinity between the neoliberal hegemonic representation of the market as a "self-regulating" entity and "a Polanyian understanding of the shifting boundaries between state and market, which would see markets as having become "disembedded" from the state". (Panitch and Konings 2009). In the Turkish context, it implies a particularist reading since it seems to assume that the affinity is still generally valid with the proviso of a regulatory state put in place for capitalist societies in the neoliberal era.

now moving rapidly away from it, as they are criticized for using the rhetoric of neoliberalism in order to replace one form of crony capitalism with another.

Geopolitics of Turkish Neoliberalism: The Changing Fortunes of Turkey–US Relations

In the post-Cold War era, and especially coinciding with the Gulf War in the early nineties, there was a tendency to characterize Turkish–US relations as a "strategic partnership". The implication was rather straightforward in the sense that both sides had a common interest and set of objectives in the post-Cold War design of the region. It was also considered as an opportunity to underline the continuing strategic importance of Turkey for the Western alliance, even though there was no perceived threat any more defined in terms of the Cold War antagonism. Thus, a "new vision" in Turkish foreign policy had been envisaged, attributing a greater role for it as a regional power from Caucasus to the Middle East, not to mention the Balkans. While opening to the East, i.e. the former Soviet republics, would provide an outlet for the siblings of the neoliberal regime of accumulation and mode of integration with the world economy, i.e. the so-called Anatolian tigers. These foreign policy aspirations, however, had to be put on hold, as Turkey had to cope with an armed insurrection within its own borders for most of the 1990s. The latter not only exacerbated the political cleavages within the society on an identity-based axis of confrontation, but no less saliently, brought into the debating agenda the pros and cons of the so-called strategic partnership in terms of its effects for the ongoing conflict in the southeast of the country. In particular, there was increasing opposition in the country to the role played by the USA in monitoring the "no-fly zone" over northern Iraq which remained in effect until the US invasion of Iraq in 2003.

In fact, this unilateral military intervention by the USA which did not even seek to legitimize it with a UN Security Council decision, in turn set in process a new pattern in terms of Turkish–US relations in general and US perceptions of Turkey's position in the region in particular. While the newly elected AKP government was supportive of the US demand for opening the northern front which was considered critical in terms of US strategic planning of invasion, there occurred the unexpected refusal by the Turkish Grand National Assembly to allow the US forces to use Turkish territory as a significant number of AKP members of the parliament voted with the opposition. What followed since then was an increasing susceptibility about the future of the strategic partnership to such an extent that there was hardly mention of the concept by the US foreign policy establishment.

> For decades, the relationship between Ankara and Washington has been described as "strategic"—sustained and supportive of the most important international objectives of both sides. Today, the strategic quality of the relationship can no longer be taken for granted, as a result of divergent perceptions of the Iraq War, and more significantly, international priorities on both sides. As a result, a bilateral relationship of great geopolitical significance, but one that has operated without fundamental reassessment since the early years of the Cold War, is now in question. (Lesser 2006)

Meanwhile there has occurred a revival of interest in setting a new vision for Turkish foreign policy with an added emphasis by the AKP government under the rubric of "strategic depth".[27] Celebrated by some as "a new policy doctrine for a new era", it has also been dubbed as "neo-Ottomanism", thus signifying the *trasformismo* as a "Turkish model of moderate Islam". This in turn intensified the debate about the future of the Turkish–US relations and the ways in which the relationship can be mended. There was an initial inclination to accommodate the AKP government on the part of the US foreign policy establishment along the following lines:

> The United States has a strong stake in a stable, democratic Turkey and, beyond US interests in Turkey, in the success of a political model that showcases the coexistence of a ruling Islam-rooted political party and secular democracy. (Rabasa and Larabee 2008)

In the wake of Obama administration's opening to the Moslem world in its first few months in office, there had been attempts to develop a new doctrine of US foreign policy so as to generalize the initial inclination. Inspired by Henry Kissinger, they contended that the USA should take the lead in generating principles that can ground a more diverse, tolerant, and sustainable order. Thereby, as long as other participants of this inclusive global order adhere to what the authors called the Autonomy Rule, the USA should respect their political preferences as a matter of national discretion and a reflection of the diversity that is intrinsic to political life (Kupchan and Mount 2009).

[27] This happens to be the title of a book by the current Prime Minister Ahmet Davutoğlu published in 2001, that is, before the start of the AKP rule; see Kinzer 2011: 197 for an acclamation and Yalvaç 2012 for a critique.

Thereby, the stage would be set to turn Turkey into "a highly promising new player on the global scene" led by "a visionary group of pious Muslims" that could seize "its strategic potential in ways that could benefit the US and the West". It was apparently presumed that these visionaries could "instil trust" in the rather volatile political atmosphere of the Middle East with their catch-phrases like "zero problems with neighbours" and "zero problems between neighbours" (Kinzer 2011: 195–197). Moreover, its "decoupling" from the USA in regards to several regional issues and/or its criticism of Israel, coupled with its cosying with Hamas in Gaza might have been perceived an advantage rather than a cause for concern provided that they could be handled with care in the context of Obama administration's newly coined "model partnership" to "reset" US relations with Turkey. Therefore, it need not be seen as a challenge to the US hegemony in the region according to such interpretations of AKP's foreign policy forays, reminding one that Turkey is still a NATO member whose economic well-being is highly dependent to inflow of foreign savings, whatever its modality. The latter, in turn, underlined not only the vulnerability of the Turkish economy to the vagaries of international financial markets, but also the strict limitations on its ability to project power, indicating the fact that its capabilities may not necessarily match its foreign policy ambitions.

Meanwhile, there had started in the West a more critical assessment of the AKP government's foreign policy which would be increasingly identified as a failure in achieving its ambitious objectives. There were warnings that the perceived policy shift could turn the AKP government into "a liability for the West". More dramatically, there was "the alarmist Western commentary emphasizing that Turkey is being 'lost'", implying that Turkey is no longer a reliable ally of the United States.[28] No less saliently, there were criticisms that it became clear in the aftermath of the "Arab Spring", even if not perceived as such previously that its "zero problems" policy was a flop. Put differently, its strategic selectivities did not produce a viable and coherent policy agenda. Rather, it produced a series of what could be described as gesture politics initiatives which did not prevent the AKP government in general, and its leader Erdoğan in particular, from being labelled as an "unpredictable ally" (Abramowitz 2011). Thereby, it would be increasingly regarded as a "problem partner" i.e., as a foreign policy problem for the Obama administration (Koplow 2014). It is noteworthy that the pressure upon the latter

[28] Western press during 2010 and 2011 were full of such commentaries especially in the wake of Mavi Marmara incident in May 2010. See, on the other hand, Editorial, "Turkey: Not Lost but Found", *The Guardian*, 5 June 2010 or P.Stephens "West must Offer Turkey a Proper Seat", *Financial Times*, 17 June 2010 for more sober analyses.

would intensify with the calls by the US foreign policy establishment reminding the President about the risks the AKP government’s tendency to curtail the already limited democratic rights and liberties—by further reducing the independence of the media and the judiciary—could pose for the Turkish–US relations.[29]

Crises *in* Neoliberalism

Turkey has been one of the test cases of the neoliberal transformation since the early 1980s where there have been significant changes in both the role of the state in the economy and its mode of integration with the world economy. One of the striking changes of the 1980s was the conception of the integration with the world economy as an end in itself, at least at the level of discourse (Yalman 2009: 250). The attempted adjustments were thus portrayed as entailing the integration of the Turkish economy with the world economy, whereas what has actually been in question was a series of changes in the mode of integration in the following decades. In this context, the process of liberalization followed a sequential pattern from trade liberalization to capital account liberalization which increased the exposure of Turkish economy to speculative short-term capital movements that played a part in the ensuing serious financial crises in 1994 and 2000–2001.[30]

Yet we had, in fact, argued, with reference to Poulantzas (1975: 171–172), that the intermittent financial crises (1994, 1998, 2000–1) that the Turkish economy had undergone,

> have become the main driving forces to ensure neoliberal transformation since the liberalization of capital account in 1989. It is, therefore, impractical to consider the financial crises of the era of globalization as “dysfunctional” moments which the states of the crisis-ridden economies, or the IMF for that matter, as rationalizing instance, simply attempt to “avoid”. Rather, it highlights once again that the economic crises of capitalism are “organic moments” in the reproduction of social relations of production as well as in the reassertion of the hegemony of the dominant class in the absence of credible counter-hegemonic alternatives. (Bedirhanoğlu and Yalman 2010: 116)

[29] As they put it, “Erdoğan’s current course would take Turkey from an imperfect democracy to an autocracy”, Morton Abramowitz et al. “The United States needs to tell Turkey to change course” http://www.washingtonpost.com/opinions/the-united-states-needs-to-tell-turkey-to-changecourse/2014/01/23/3525bf52-7eda-11e3-93c1-0e888170b723_story.html.

[30] See Köse and Yeldan (1998) and Akyüz and Boratav (2003) for critical accounts of 1994 and 2001 crises respectively.

The role played by the crises in "the reproduction of class domination" or rather for "the restoration of unstable class hegemony" as Poulantzas (1978) underlined, gains particular saliency in coming to terms with the particular phases of neoliberal transformation. This becomes a rather intriguing process as they are more often than not intertwined with the *crises of the state*. From the outset, the striking feature of the post-1980 era could be described as the emergence of conditions once again leading to a new "crisis of hegemony". For the period up to the present could be characterized by intermittent balance of payments crises in the context of liberalization of capital account and financial deregulation, increasingly coupled with a political crisis, expressed as "crisis of governmentality" in the fashionable jargon of the 1990s.

Paradoxically, the intermittent crises have been conducive to the further entrenchment of the neoliberal policy agenda rather than undermining its credibility whilst the IMF-imposed three-year stand-by programmes functioned not only as adjustment strategies but also as hegemonic projects for dominant classes so as to entrench their hegemony in the wake of a crisis. In particular, it is important to remember that the Turkish economy had undergone the 2001 crisis which was a typical case of "twin crises", in which a balance of payment crisis takes place simultaneously with the crisis of the banking sector, while it had been diligently implementing a three-year IMF stand-by agreement. No less significantly, the IMF had no inhibition in putting into effect yet another three-year stand-by agreement in early 2005 while there was neither a balance of payment nor a banking crisis on the horizon. The justification for it not only underlines the acknowledgement of the fact that "Turkey remains vulnerable to swings in international investor sentiment towards emerging markets" (IMF 2005) despite implementing a series of "structural reforms" under IMF and World Bank guidance. But it also highlights the political expediency involved in such a justification:

> three-year program would allow sufficient time to fully elaborate an exit strategy, facilitate implementation of a substantial structural reform agenda, help smooth the repayment profile to the Fund, and provide an anchor during the run up to the next general elections (to be held by November 2007) … Turkey is not facing an acute capital account crisis and, as such, does not meet all of the criteria governing exceptional access. Hence, it is proposed to approve the proposed exceptional access by invoking the exceptional circumstances clause. (IMF 2005)

Under the circumstances and in the absence of any credible political alternative and/or successful resistance by the losers of the ongoing neoliberal transformation, the possibility of a systemic alternative would not even be contemplated. The Turkish experience from the late 1980s onwards can thus be seen as a perfect example of what has been described as "crisis in neoliberalism" (cf. Saad-Filho 2010). This necessitates, however, a brief encounter with the kind of arguments which tended to interpret the economic crisis of 2001 as a *crisis of hegemony* from a critical political economy perspective. The corollary of these arguments is, in turn, to characterize the post-2001 crisis era one in which provided an opportunity for AKP to develop its own hegemonic project.[31] While the latter can be considered a plausible argument to come to terms with the period of AKP rule, it need not follow that the circumstances which led to the 2001 crisis could be characterized as an organic crisis in Gramsci's terms. For if it were the case then it would have implied that it is *ipso facto* a crisis *of* neoliberalism which, as the following will attempt to elucidate, it was not.[32]

While it is true that the protracted nature of the intermittent crises mentioned above broke the representational ties between centre-right and/or centre-left parties which governed the country for most of the 1980s and 1990s and their social bases both within and outside the power bloc, it did not necessarily bring forward a counter-hegemonic strategy on the part of the oppositional groups which challenged the neoliberal policy agenda. This, in turn, was instrumental in paving the ground for the triumphalist nature of AKP rule. For it did not necessarily undermine the belief in the virtues of a market-based social order on the part of the electorate at large. Indeed, we had argued that

> What the Turkish experience of the 1980s illustrated was the possibility of constructing a new class hegemony under an authoritarian form of the state by means of an ideology which extolled the market, [in such a way] that it has been internalized by large sections of society in a way which no other ideological onslaught seemed to have, hitherto, accomplished! (Yalman 2002: 46–47)

Otherwise, it would not have been possible to account for the adherence of the AKP government to the neoliberal policy agenda, much more diligently than its predecessors. Moreover, there has been, as noted, an "identification of public interest with the interest of financial sector" on the part of advocates

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[31] cf. Akça 2014; Gürcan and Peker 2015; Hoşgör 2015; Özkazanç 2005: 639; Yıldırım 2009: 70; Yıldızoğlu 2009: 110.

[32] "Crises 'in' are normal and *may* be resolved through established crisis-management routines and/or through innovations that largely restore previous patterns. Crises 'of' are less common and involve a crisis of crisis-management, indicating inability to 'go on in the old way' and demanding more radical innovation". (Jessop 2015).

of the neoliberal policy agenda so as to facilitate the processes of financialization playing a part in "minimising the impact of crises upon the economy" as well as "the socialisation of the losses of the financial sector" (Güngen 2012). Strikingly, this seemed to be the case in spite or because of the fact that the era of intermittent crises as well as of the AKP rule turned out to be—what has been aptly characterized as—an era of the "notorious trinity", i.e. deindustrialization, privatization and deunionization (Türel 2014).

It is also noteworthy that there has been increasing concern with this notorious trinity and especially with the implications of the first for developing economies in general. This is reflected with the development of the concept of "premature deindustrialization", defined as these economies "becoming service economies without having had a proper experience of industrialization" (Rodrik 2015). As a matter of fact, Turkey's post-2001 crisis adjustment under the AKP administration traces the steps of many developing country governments which are dependent on foreign capital and are conditioned to adopt or maintain the kind of policies considered necessary to secure "investor confidence" and "international creditworthiness". Meanwhile, an ambitious acceleration of the process of privatization by the AKP government, seemed to have made the country, an "investors' paradise" from the perspective of international finance capital, at least until the 2008 global crisis. The privatizations of the large-scale profitable state economic enterprises (SEEs) were facilitated through legislative changes that favoured foreign and domestic powerful capital groups. This also highlights the role played by the Turkish capital groups with their diversified interests as a class actor in the context of the neoliberal transformation process, as mergers and acquisitions have become a common practice in Turkey especially since the 2000s (Bedirhanoğlu et al. 2013).

The process of internationalization of domestic business groups has been given further impetus as Turkey's trade integration into global markets significantly expanded in the wake of the 2001 crisis especially for medium-technology sectors, such as machinery and motor vehicles as the producers of the latter were integrated in global production chains (cf. World Bank 2006; Yılmaz and İzmen 2009; Taymaz and Voyvoda 2012). Yet they failed to sustain their rapid growth after the 2008 global financial crisis, as their share in manufacturing output and employment declined to a significant extent, indicating their sensitivity to the changing conditions in their export markets in general, European markets in particular (Taymaz 2015). As exports of manufactured goods have expanded, their imports have kept up with the overall growth of total imports. In other words, the integration with the global production chains meant that the exporting industries were largely dependent on the imports of parts and components from global suppliers (cf. World Bank 2006; Taymaz 2015).

It was also noted that “Turkey’s impressive growth performance in the 2000s was mainly driven by domestic demand, but this also led to a widening current account deficit” (OECD 2014). The latter has, in fact, become one of the distinctive features, and *ipso facto*, a major source of vulnerability for the Turkish economy, thereby making it susceptible to the movements of capital flows (Boratav 2011). Put differently, high growth performance until 2008 depended on high domestic spending and current account deficit; or the accumulation of liabilities vis-à-vis the rest of the world. As admitted even by the World Bank, it had further ramifications for the Turkish economy as “the access to cheap global liquidity also precipitated a trend decline in domestic savings and a corresponding increase in external imbalances” (World Bank 2014). In contrast to pre-2001 era, this could be read as a new phase of increased indebtedness of the Turkish economy, as the external debt of the private sector surpassed that of the public sector which was reduced as a result of the process of fiscal adjustment targeting a record level of primary surplus—6.5% to the GDP—for most of the 2001–2008 period.

These developments have, apparently, been raising alarm bells on the part of some of the representatives of the Turkish business community, as they noted that manufacturing has seen a sharp decline in its share in GDP at current prices since the year 2000, thereby confirming one of the main components of the notorious trinity thesis:

> there is an urgent need for greater momentum in the country’s industrialization. The unfavorable development seen in manufacturing, however, points to a slide towards de-industrialization in Turkey. (ISO 2013)

There would also be further acknowledgement of the gravity of the situation even by the AKP administration as they felt the need to prepare an “industrial strategy document” which made the following grim observation:

> Despite its rapid growth after the crisis in 2001, the Turkish economy falls short of expectations with respect to global competitiveness. (MTI 2011)

Interestingly, the same document goes on to contradict one of the main planks of the AKP government’s policy platform in the wake of the 2008 global crisis, as it concedes that the crisis in fact, “adversely affected private sector” as the “Turkish economy shrank under the impact of the crisis”.

However, the actual brunt of the notorious trinity has been carried by the labouring classes in general and workers of the privatized companies in particular who tended to lose their jobs in mass and were deprived of their social rights.[33] The Turkish economy during the 2000s even before the 2008 global financial crisis has been manifesting the symptoms of "jobless growth" as the increases in labour productivity have not been accompanied by an improvement in real wages or labour participation rates under the AKP rule (Bedirhanoğlu et al. 2013). In fact, it has been pointed out that "the 2008 crisis has intensified pressures on manufacturing wages because cost competitiveness achieved on the basis on depressed wages is still the most viable strategy for Turkish manufacturing" (Taymaz 2015).

At a time, when class both as a social category and as a tool for analysis were to be discredited, it was by no means surprising that *putting an end to class-based politics* emerged as the core of the new hegemonic strategy which accompanied the protracted process of restructuring of the state in Turkey (Yalman 2009: 308). In fact, this is the key to the puzzle as to why neoliberalism as a hegemonic discourse has prevailed in the Turkish context over the last three decades. That is also why it is imperative to account for the state as a key agent of social transformation which was itself transformed as part of the changing social relations.

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14

Energy, Capital as Power and World Order

Tim Di Muzio

Until late, the subject of energy and its importance for capitalism and the constitution and reconstitution of world order has been sorely overlooked in the international political economy (IPE) literature. Indeed, only two of the major textbooks in IPE have chapters on energy (Di Muzio and Ovadia 2016). This is also true of the literature known as classical political economy. With few exceptions, the main questions that animated the classics such as the origins of the wealth of nations and the distribution of wealth are somehow disconnected from the production and consumption of energy. Marginal exceptions granted, there is little acknowledgement that the last three centuries of uneven and combined "progress" and "development" have anything to do with the exploitation of coal, oil and natural gas. However, if recent scholarship is any indication, this appears to be changing both within IPE and within other academic fields such as geography, sociology and environmental studies. In this emergent literature, we can find an argument that energy should not be treated as auxiliary to our analysis of the global political economy but essential to understanding and interpreting its emergence, transformations and future trajectories (Di Muzio 2015b). Since fossil fuels make up an overwhelming share of global energy production and consumption (see Fig. 14.1) I will mainly concentrate of non-renewable fossil fuels and

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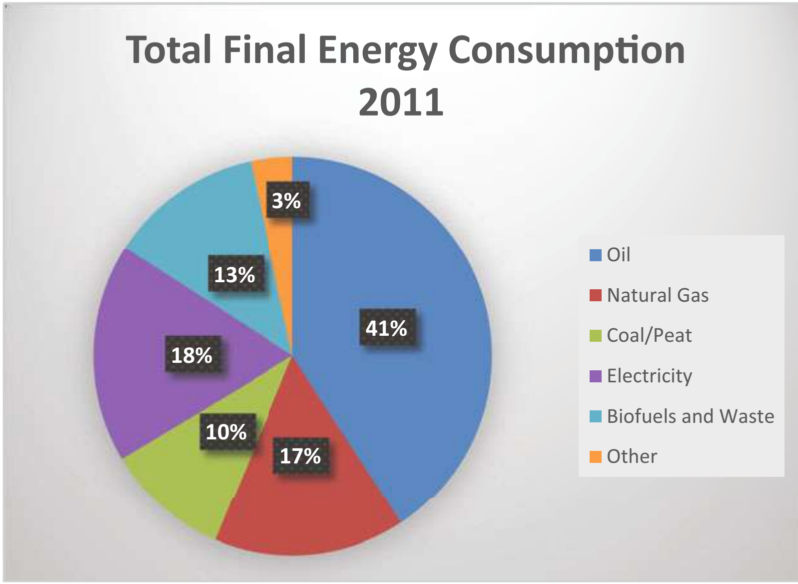

Fig. 14.1 Total final energy consumption, 2011

aim to provide a critical political economy approach to energy, capitalism and world order by using the capital as power perspective.

This is certainly not the only approach that we could take, but it is the one I find most revealing and convincing. To make this argument, I have divided the article in the following way. First, I concisely survey why energy is important for our theorizations of the global political economy as well as for understanding the practices of everyday life. With this background information in place, I briefly review how mainstream and critical accounts have approached the question of energy and the global political economy and demonstrate how the capital as power approach is distinctive for its focus on capitalization and social reproduction. In the second section, I will consider the power of the oil and gas firms in shaping and reshaping social reproduction and how there are strong indicators to suggest that renewable forms of energy cannot presently—and likely never will—replace fossil fuels and perpetuate energy intensive modes of living centuries into the future. Moreover, because of the entrenched power of oil and gas firms and their connection with affluent social reproduction, transitioning to less carbon intensive modes of social reproduction are being stalled. I conclude the article by discussing the relationship between energy, violence and world order.

A Brief Excursus on Energy

Though often taken for granted in daily life, if we take energy seriously, the global political economy is at base a solar economy whereby humans have come to monetize energy and natural resources in hierarchical domestic and international relationships. Without the energy of the sun and the conversion of radiant energy into chemical energy carried out by plants and algae through the process of photosynthesis, life on earth would be impossible. Oil, coal and natural gas—can be considered "buried sunshine", or chemical stores of energy that, through heat and pressure over millennia, have accumulated in variegated reservoirs internationally (Crosby 2006). These fossil fuels are ultimately derived from the energy of the sun and are understood to be non-renewable on a human scale. But what is energy and what is at stake in taking it seriously? Natural scientists may debate the precise definition of "energy" but most would agree that it can be conceptualized as the capacity to do work (Smil 1994, 2006). What this suggests is that political economies with more energy have a greater *potential* to do work on the natural environment and transform their conditions of existence—albeit within a network of power relations and historical constraints and enablers. Indeed, countries that are considered "advanced economies" or "highly developed" political communities will show very high energy consumption figures while those considered as lesser or least developed countries will show very low energy consumption figures. Figure 14.2 charts the total primary energy consumption of three least developed countries recognized by the World Bank.

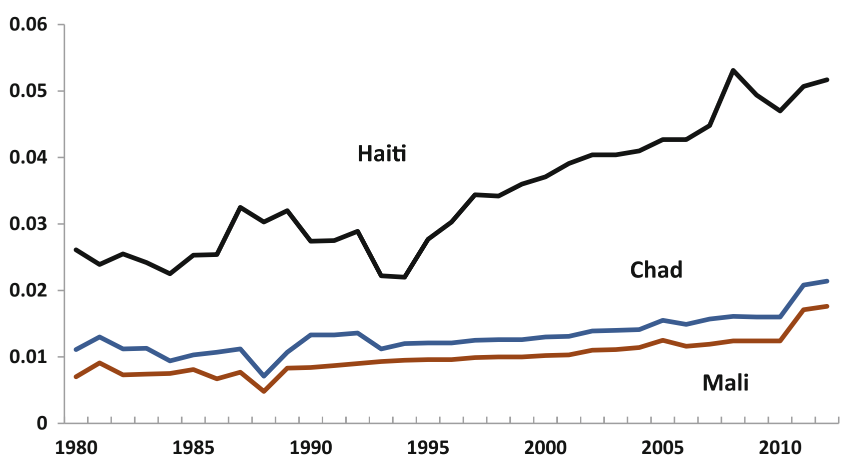

Fig. 14.2 Total primary energy consumption, Least Developed Countries, quadrillion btus, 1980–2012

All three countries are consuming very low amounts of energy and do not even approach one quadrillion British thermal units. This disparity in energy access and therefore productive ability becomes apparent when considering Fig. 14.3 which charts energy consumption from three internationally recognized "developed" countries. The difference in the orders of magnitude is unmistakable. Fig. 14.4 also contrasts the energy use per capita between the two groups of countries. Thus on an aggregate and per capita basis, developed countries simply consume in order of magnitude more energy than least developed countries.

What these charts strongly suggest is that one of the things at stake in taking energy seriously for critical IPE scholars is the recognition that radically uneven consumption and access to energy should be a key factor in explaining the persistence of poverty and "underdevelopment". As the United Nations Development Programme (UNDP) noted:

> Energy services are a crucial input to the primary development challenge of providing adequate food, shelter, clothing, water, sanitation, medical care, schooling, and access to information. Thus energy is one dimension or determinant of poverty and development, but it is vital … lack of access to energy contributes to poverty and deprivation and can contribute to economic decline. (2000: 44)

But the connection between access to affordable energy and development is not the only thing at stake in taking energy seriously. Four additional concerns can be highlighted before we move on to discuss how mainstream

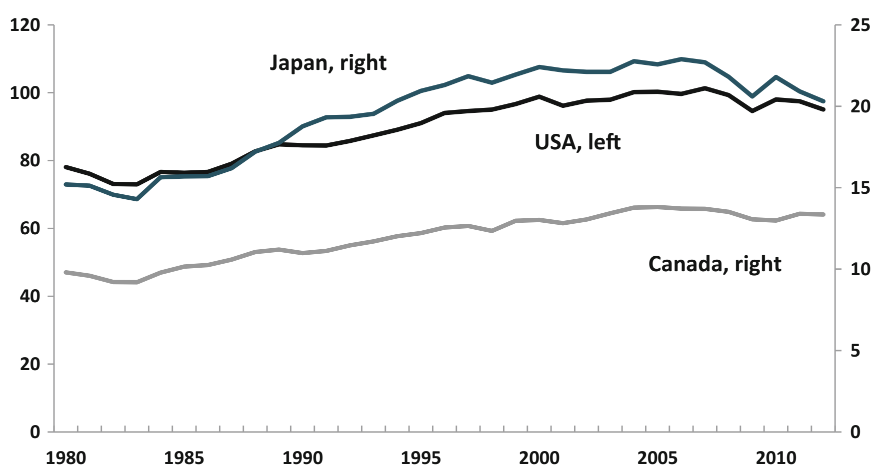

Fig. 14.3 Total primary energy consumption, Developed Countries, quadrillion btus, 1980–2012

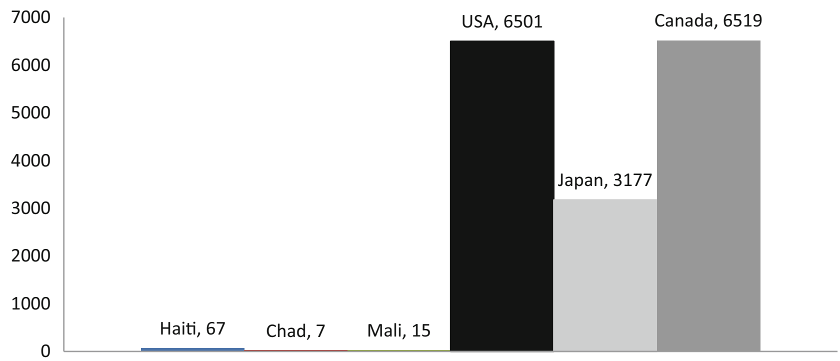

Fig. 14.4 Energy consumption per capita, 2010. Source: UNDATA

and critical scholarships have approached the global political economy of energy. First, for energy to be useful, it must be converted into another form. However, energy conversion is never a straightforward process as some energy is always lost in the transformation and not all energy can be converted easily. Second, the ratio of energy returned on the energy invested or what is known as ERoEI, is a crucial indicator of how much energy needs to be consumed or invested in return for a specific amount of energy received. A declining ERoEI is worrisome in an energy dependent economy because it suggests that it is becoming more difficult and expensive for firms to harness energy resources. Third, the global combustion of fossil fuels is the leading cause of global climate change and if companies and consumers continue to monetize and combust the world's remaining stores, the climate future generations inherit will be radically changed. As the former head of NASA's Goddard Institute for Space Studies, James Hansen and his colleagues warned "burning all fossil fuels would threaten the biological health and survival of humanity, making policies that rely substantially on adaptation inadequate" (James Hansen et al. 2013: 25). In sum, the ongoing social reproduction of high-energy lifestyles is effectively destroying the biosphere for future generations, the consequences of which will be experienced unevenly across the global population (Kempf 2008; Di Muzio 2015a). Last, from an evolutionary perspective, we could also make the argument that over time, certain human communities—for one reason or another—have become more proficient at capturing and converting energy for the social reproduction of energy intensive modes of living. But critical political economists cannot stop at this level of conceptualization and must understand the production and consumption of energy within the context of historical and shifting power relations.

Mainstream and Critical Approaches

In IR/IPE there are two mainstream approaches to energy: (neo)realist and neolilberal institutionalism and a variegated critical approach mainly informed by the Marxist tradition.[1] All have something to offer the debates in IPE but the mainstream approaches are fairly narrow-minded and insufficiently critical while the Marxist approach has serious flaws insofar as it rests on the labour theory of value. Speaking broadly, most realists fetishize the state and conceive of it as though it was a unitary actor operating in an anarchical system. Because there is no world government to hold states in check, realists argue that statesmen and women must do their best to protect the nation's security. Having access to fossil fuels—and energy more generally—in this framework is useful only insofar as it can help maximize the power and security of the state as a whole. In this state-centric approach there is very little analysis of who exactly benefits from war and fossil fuel dependence or why energy consumption is so uneven. Most realists lump energy/oil under 'material capabilities' (as do some critical scholars, e.g. Cox 1987) and assume that the *amount* or *quality* of these capabilities are linked with international power or the lack of it. However, because "material capabilities" are never conceptually unpacked, access to fossil fuels is treated just like access to any other strategic commodity. Others are more explicit and focus on how international power is underwritten by access to fossil fuels (particularly oil) and investigate how energy and international conflicts are related in past, present and the likely future (e.g. Colgan 2013a and b; Elhefnawy 2008; Friedrichs 2013; Klare 2002, 2004, 2009; Sprio 1999; Stoddard 2013; Stokes and Raphael 2010).

The approach of neoliberal institutionalism is generally concerned with how agents other than the state can help promote transnational cooperation and overcome international anarchy—largely by rules, institutions and market mechanisms (Colgan et al. 2012; Goldthau and Witte 2013; Ikenberry 1986; Keohane 1978; Keohane and Victor 2013). In general, most neoliberal institutionalists take capitalism for granted and demonstrate very little awareness of how the magnitude of capital accumulation and its greater universalization is historically tethered to the exploitation of non-renewable fossil fuels. Indeed, the neoliberal institutionalist approach is far more interested in problem solving than it is in understanding how the present world order emerged. Moreover, the liberal tradition tends to have a progressive understanding of history that anticipates continued economic growth and

[1] A useful summary is found in (Hancock and Vivoda 2014).

human betterment (Di Muzio 2011; Jahn 2013). This is despite the fact that there are very real physical limitations to perpetual economic growth (Fix 2014).

From a critical point of view, Marxists fare much better than their mainstream counterparts. Marx was certainly aware of humanity's inseparable tie with nature. However, in his scientific account of capitalism, he treated labour as the *sole* source of value and relegated the major energy source of his time—coal—to an "auxiliary" in production. From this point, energy remained a key blind spot for Marxism until the oil price shocks of the 1970s. The work of (Debeir et al. 1991) underscored the importance of energy for Marxist political economy but their work was virtually ignored until late. With few exceptions (Bromley 1991; Nore and Turner 1980), it was not until the oil price spike of 2000, the "war on terror" and murmurs about peak oil that Marxist attention resurfaced on questions related to energy, political economy and international power and imperialism. I cannot do justice to the richness of these works here and they are certainly more critical and insightful than the mainstream approaches (e.g. Altvater 2007; Bromley 1991, 2005; Podobnik 2006). However, with some nuance, what they all share in common is the view that capitalism is a mode of production and (implicitly or explicitly) that labour power is the sole source of value and that labour time can somehow explain prices and accumulation (the transformation problem). As I see it there are at least two problems with this position, (1) for the most part it is only concerned with production and therefore misses wider societal aspects of power and how they impact upon accumulation and; (2) it is far more likely that corporate power and *control* over production shapes prices and accumulation rather than labour time values. For these reasons I use what is arguably the more critical approach of capital as power.

The capital as power approach differs in a number of important ways from the perspectives we have only briefly discussed (Nitzan and Bichler 2009; Di Muzio 2014). First, capitalism is conceived not as a mode of production between workers and capitalists but as a mode of power between owners or capitalists and non-owners. The primary act of owners is the capitalization of income-generating assets with the goal to accumulate more money at a faster pace than rivals attempting to do the same. The dominant actor is understood to be the corporation or firm and those with the highest levels of capitalization are theorized as "dominant capital" or those firms with the power to shape and reshape social reproduction more effectively than firms with smaller capitalization. Accumulation in this framework is measured by how much the value of an owner's capitalization rises over time with the level of capitalization largely contingent on the earnings firms are able to generate.

From the point of view of the capital as power approach, earnings are not simply a matter of producing commodities for the market and the exploitation of workers. Earnings are a matter of a firm's ability to exert material, cultural and ideological power of an entire social field and the more successful they are in doing so the greater their differential earnings will be relative to rival accumulators in the corporate universe. For this reason, capital is not theorized as "capital goods" as in the neoclassical approach nor is it understood to be 'dead labour' as in the Marxist approach. Instead, capital is theorized as commodified differential power. What this means is that when investors or owners hold or purchase claims to income-generating assets, they are effectively capitalizing the power of a corporation to shape and reshape the terrain of social reproduction. Briefly, social reproduction can be understood as the way in which any society produces, consumes and reproduces its lifestyles and livelihoods, how it understands them and how it justifies these practices both ideologically, legally and by an apparatus of force and punishment (e.g. military, prisons, detention camps). What this suggests is that the state or government apparatus can never be dislocated or disentangled from the process of accumulation. There are two main ways in which the state and capital are intimately connected. First, most governments in the world have a "national" debt that is owned by private capitalists and who receive interest payments on their securities from the tax and fine revenues generated by governments. In other words, the state or government apparatus is itself a capitalized entity. Second, the market for government debt or perhaps more simply, the bond market, is the heart of global finance because it provides a benchmark rate of return for capitalists to assess or evaluate their investment priorities. Insofar as interest rates remain positive, it provides owners with a guaranteed return on investment. For these reasons the capital as power approach does not theorize the state and market or the state and corporation as practically or ideologically separate. Instead, political and corporate power have always been fundamentally entangled, albeit in a variety of ways we cannot fully discuss in this brief chapter. But while all these points may be intelligible to readers, it remains for us to highlight how the capital as power perspective is a *critical* approach to political economy. First, the accumulation of money is not based on individual productivity or the contributions one makes to society but rooted in the institution of ownership and ownership largely originated in past violence, access to political power and legal fiction. Second, private ownership of income-generating assets implies both exclusion and the sabotage or damage of society and human creativity. There are two types of sabotage: general and specific. General sabotage implies that all firms must engage in some degree of incapacitation in trying to accumulate differentially. Specific sabotage is the way in which each individual firm strategically acts to disrupt or incapacitate production and the wider process of social creativity. Third, the capitalist mode of power follows the logic of differential accumulation, a logic that is based on increasing inequality and non-democratic forms for exclusion at the expense of pursuing a more humane logic that would have decent human livelihoods, the alleviation of gross inequalities, and the protection of the biosphere as its focus. In the next section, I apply the capital as power framework to the largest sector in the global economy by market capitalization.

Capitalism and the Power of Oil and Gas Firms

If we conceive of the global political economy analytically, we could argue that it is made up of 37 sectors ranked by market value or capitalization.[2] At first glance, it would appear that banks lead all the other sectors at US$4.5 trillion in market capitalization. Intuitively, this would seem to make sense given the importance of money in a market economy and the way that money expands largely through commercial bank loans. However, this is illusory. By far the most capitalized industry on the planet is the oil and gas industry once the estimated market value of state owned oil and gas firms are considered. In 2005 McKinsey valued the state oil and gas firms as if they were publicly traded companies and imputed (adjusted for inflation) a figure of about US$3.6 trillion. If we add this sum to the capitalization of oil and gas firms in the 2014 edition of the FT Global 500—a list of the largest companies in the world by market value—the total capitalization for the oil and gas sector would be US$6.7 trillion. As part of the unholy trinity of fossil fuels, if we added coal to the figure, we would witness a negligible increase since the total market value according to Stowe's coal index is US$115 billion.[3] But what does all this suggest? First, it suggests the absolute centrality of oil and gas to the formation and reformation of what I have previously called a global petro-market civilization (Di Muzio in Gill 2011; Di Muzio 2012, 2015b). I theorize this as an uneven and hierarchical civilizational order whose social reproduction of energy intensive living is largely contingent on affordable, accessible and abundant carbon energy. What this implies is that for a significant portion of humanity, previous stores of solar energy are being monetized to promote high-energy lifestyles—or what Brand and Wissen (2013) refer

[2] The following draws on the Global FT 500.

[3] http://stowe.snetglobalindexes.com/ (4/3/2015).

to as an "imperial mode of living". However, since we know that wealth and income are highly uneven both within and between nations, it also suggests that the small fraction of humanity with more income and wealth are also those responsible for greater environmental damage and the potential destruction of a habitable biosphere for future generations and non-human species. As Barry sombrely notes: "the scientific evidence for anthropogenic climate change has accumulated to the extent that we could be the first species to accurately document our own demise" (2012: 1). This is indeed a sobering thought given that the second reason why realizing that the oil and gas sector is the most heavily capitalized is important: the future. When investors purchase shares in corporations they are capitalizing the corporation based on expected future profit, not present performance. What this means is that the level of capitalization relative both to past capitalization of the firm and other firms in the corporate universe is a forward looking indicator for how investors think about the future. Rising capitalization relative to past capitalization as well as relative to rival accumulators suggests that investors see a bright future for meeting projected earnings targets. Now, it goes without saying that investors are often wrong about the future, but the danger of being incorrect does not stop them from trying to anticipate likely futures based on the information they have to hand. Figure 14.5 plots the capitalization of all the major oil and gas firms listed on the FT Global 500.

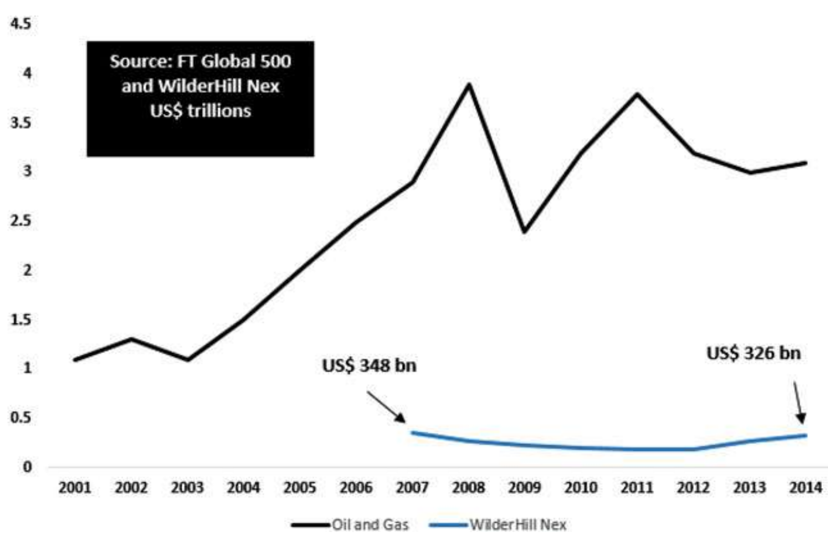

Fig. 14.5 Oil and gas company capitalization vs WilderHill NEX, 2001–2014

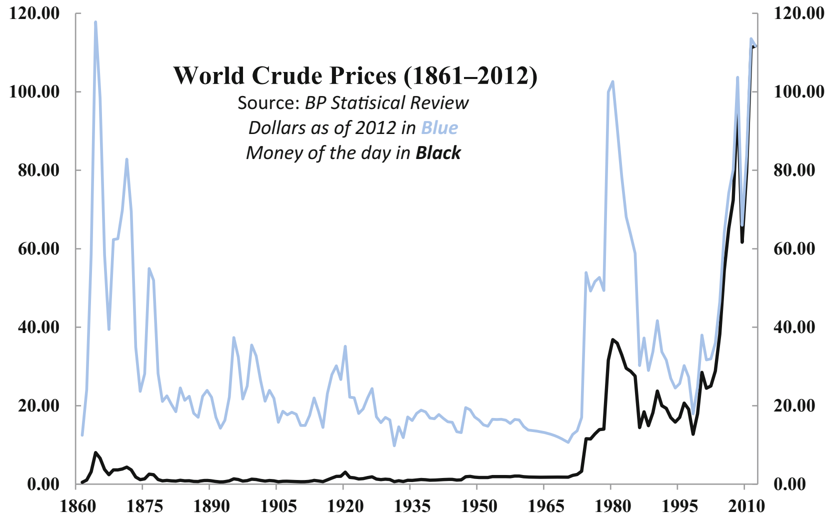

Fig. 14.6 World crude prices, 1861–2012

Despite the dip during the global financial crisis in 2008–9, the trend is clear. The capitalization of the oil and gas firms increased by 182% from the beginning to the end of our period. Thus, if we created an equally weighted basket of oil and gas stocks on the FT Global 500 and paid US$1,000 to purchase our shares in 2001 at the start of our period, we would have earned US$1,820 by 2014. One can imagine the astronomical sums made by those who own millions of shares in oil and gas companies rather than our paltry example of having simply invested US$1,000. But Figure 14.5 suggests something even more important since it also plots the most comprehensive index for the renewable energy industry—the WilderHill New Energy Global Innovation Index or in brief NEX.[4] Now there is little doubt that since at least the turn of the 21st century considerably more attention has been given to finding, funding and subsidizing renewable energy. This drive heightened as the price of oil skyrocketed over the period (see Fig. 14.6) leading to renewed and in some sense greater calls for energy independence and alternatives to fossil fuels.

[4] "The WilderHill New Energy Global Innovation Index is comprised of companies worldwide whose innovative technologies and services focus on generation and use of cleaner energy, conservation and efficiency, and advancing renewable energy generally. Included are companies whose lower-carbon approaches are relevant to climate change, and whose technologies help reduce emissions relative to traditional fossil fuel use".http://www.nexindex.com/ (3/24/2015).

Institutionalizing this trend, a new intergovernmental body—the International Renewable Energy Agency (IRENA)—came into force in 2010 in Abu Dhabi. IRENA is headquartered in Masdar City, a multi-billion dollar arcology project in the process of building a planned city with sustainable elements, including the use of renewable energy and pedestrian friendly public transport networks. There are other positive signs that the newly emergent renewable energy industry may eventually help substitute for, if not by some accounts, totally replace (over time) the consumption of oil and gas. For instance, the latest report from the Renewable Energy Policy Network for the 21st Century celebrated the fact that 144 countries had demonstrated some commitment to meeting renewable energy targets while 138 countries had policies in place to support the renewable energy industry (REN21 2014). While investments fluctuate yearly, the same report also notes that investment in the hundreds of billions of dollars continues to pour into renewable energy technologies. All considered, one might get the impression that global society is on the cusp of moving from a petro-market civilization to a post-carbon civilizational order fuelled by various forms of renewable, green and clean energy. The counter-evidence, however suggests otherwise. First, let us consider the capitalization of the renewable energy industry. At present, there is not a single firm in the Global FT 500 and the capitalization of the industry is an order of magnitude—trillions, not billions—lower than the oil and gas industry. Since the only sector of the global political economy that could potentially rival or overtake the fossil fuel industry is the renewable energy industry, we ought to be concerned with how investors anticipate the differential earnings potential of renewable energy firms. The evidence in Figure 14.5 is sobering and suggests that investors are nowhere near bidding up expectations. In fact, had investors capitalized the renewable energy index, their return on investment would have been −6% over the period. In other words, as an investor, you would have deaccumulated relative not only to the oil and gas industry (about a 7% return from 2007 to 2014) but also the broad S&P 500 index which returned 9.2% over the period. The general problem across the industry is that it is capital intensive and its earnings are either too low compared to the returns of other firms and sectors of the global economy or they are non-existent. As the International Energy Agency's (IEA) recent report on renewable energy states "the capital-intensive nature of projects can make the risk/return profile of such assets challenging for investors" (2014b: 8). At the moment the risk/return ratio appears to be *very* challenging since we know that investors are ultimately concerned with differential accumulation. Though Marx mistakenly anchored his theory of accumulation in the labour theory of value, he did understand that, "use-values must therefore never be looked upon as the real aim of the capitalist; neither must the profit on any single transaction. The restless never-ending process of profit-making alone is what he aims at" (1887: 105). In other words, what matters most to capitalists is the accumulation of money and the renewable energy industry is nowhere close to showing monumental returns that would warrant trillions in capitalization. To be sure, this could change, but there are even more signs that compound the obstacles for a thriving post-carbon order founded on renewable industry. First, for the foreseeable future there is important evidence to suggest that current forms of high-energy social reproduction cannot be sustained with known sources of renewable energy. At best, renewable energy may move from making up about 19% of global final energy consumption to a little less than 30% of the world's energy consumption in the 21st century (Trainer 2007; Heinberg 2009; Smil 2011; REN21 2014: 13; Zehner 2012). Second, fossil fuel subsidies continue to be in the hundreds of billions of dollars yearly, dwarfing the investment made to the renewable energy industry by a factor of four (IEA 2014a: 4). In 2013, the oil and gas industry received US$550 billion in subsidies while the renewable energy industry garnered a mere US$120 billion in global subsidies. What this suggests is that—on the whole—governments continue to favour the oil and gas industry over renewable energy. To be sure, some governments are more actively involved in promoting greener and cleaner energy but at the moment, not a single nation in the G7, let alone the OECD consumes the majority of its power from non-renewable fuels. The IEA, the authoritative body set up to monitor world energy stocks and flows, anticipates that fossil fuels will continue to make up the majority of energy consumption in the rich world for most of this century. Even in Germany, where the political leadership has demonstrated a strong concern for energy conservation and renewable energy, we still find total final energy consumption consists of 83% fossil fuels with a goal to reduce this total only slightly by 2020 (IEA 2013: 119). If this is not enough to demonstrate the uphill challenges faced by the renewable energy industry and the fact that global society continues to be locked into an uneven and hierarchical carbon energy order, there is even more evidence to weigh when we think about the transition to a post-carbon energy future. Though I cannot go into detail here and note that this is not an exhaustive list, some of the main concerns to be found in the transition literature are as follows:

- Reliability as some sources are irregular (e.g. wind and tides)
- The potential for scalability (e.g. wind turbines and solar cells)
- The conversion of fertile land to wind farms and/or biofuels (e.g. the loss of food crops)

- Negligible or negative energy returned on energy invested (e.g. some biofuels)
- Integration into pre-existing power infrastructure (e.g. electricity generated by wind)
- The inefficiency of battery storage (e.g. the loss of energy during conversion)
- The high price of renewable technologies (e.g. the price point of photovoltaic solar cells)
- Components made with commercially exhaustible and costly rare Earth elements (e.g. gallium and indium used in solar cells)
- Low winter insolation, dust and water vapour and clouds (e.g. photovoltaic solar cells)
- Capital-intensive investment (e.g. wind turbines, solar cells, research and development) (adapted from Di Muzio 2015b drawing on Trainer 2007; Heinberg 2009; Smil 2011; Zehner 2012).

Thus, if we weigh the evidence, it would appear that the oil and gas companies—publically and state owned—have the collective power to continue to shape and reshape the social reproduction of the world energy order going forward. Given our knowledge of the likely consequences of climate change, it may be appropriate to ask why this power is permitted to continue and why governments across the world do not simply mandate that fossil fuel resources remain in the ground to safeguard future generations. From the perspective of critical political economy, a potential answer is fourfold and only briefly elaborated on here. First, the dominant logic of business and governments is not livelihood or sustainability but differential capitalization and the pursuit of economic growth. Both require tremendous amounts of carbon energy to achieve. In the present environment, thinking about a leading politician running on an electoral platform of degrowing the economy is just as absurd as imagining a corporate CEO announcing that the firm she oversees will have the goal of accumulating fewer earnings this quarter than the last. Second, there is a certain degree of path dependence and what I will call here “path expectation”. In terms of fossil fuels, path dependence essentially means that the construction of a more global petro-market civilization leads to energy intensive modes of living and that these modes of living combined with the drive to accumulate social power in the form of money necessitate evermore carbon energy for growth. For example, every new suburb created is an architectural testament to greater future energy intensity insofar as these ecosystems are built around the single family dwelling and automobility. What I mean by path expectation is simply the idea that additional governments and their citizens may find it highly desirable to embark upon a path towards high-energy intensive living as the Chinese, Indians and Brazilians have recently done. Indeed, not only have these three countries seen accelerated growth in the last 20 years, but also increased energy consumption, altering the world energy order (de Graaff 2012). Realizing these expectations in material form is now leading to greater carbon energy path dependence in more countries. For instance, as a collective, non-OECD countries are now the primary consumers of total final energy consumption, a trend only recently broken (BP Statistical Review 2014). Third, the temptation to monetize the remaining economically exploitable fossil fuels on the planet may be too great. Most traders and investors envision a time when demand will finally outstrip supply and prices will skyrocket to unforeseen levels. If this happens, one can bet that both the earnings and capitalization of the oil and gas (and likely coal) firms will also skyrocket. A few stand to gain immense amounts of money by monetizing the destruction of the world's biosphere. Last, at the moment there are no large-scale energy alternatives and any post-carbon society is likely to have to form new social relations, new methods of production, logic and thought, new ways of governing and new indicators to govern social reproduction. It may be the case that it is simply easier to follow on the same ruinous course and hope that market forces will somehow sort out a reasonable future. Either way, this will be a Herculean task not made any easier the more societies and governments delay actively transitioning to a low carbon energy regime. There are certainly spaces of hope to point to but at the moment, they are largely marginal. A final consideration from the perspective of critical IPE is the relationship between carbon energy, violence and world order.

Energy, Violence and World Order

Before the transition to settled agriculture and animal husbandry, most anthropologists argue that our hunting and gathering ancestors were relatively egalitarian (Boehm 2001). This is not to project some utopia back into the ancient past but to recognize that with the rise of settled agriculture and cities, the social division of labour became more diversified and considerably more hierarchical, with a dominant caste typically appropriating social surpluses where the first major civilizations arose. Coinciding with this transition was the eternal recurrence of slavery and other forms of labour servitude. Though forms of slavery and servitude certainly differed historically and geographically, what they all have in common is that a minority of very powerful people used their slaves and servants as human energy converters to support their own affluent social reproduction. As late as 1772, the British agricultural writer Arthur Young

(1741–1820) estimated that of a world population of 775 million, only 33 million could be categorized as in any way "free". The remainder, some 742 million existed in countless forms of servitude to the 4.3% of the world's population living as privileged dominators (Nikiforuk 2012: 12). One of the most violent and devastating examples of this search for exploitable human energy was the centuries-long transatlantic slave trade with an estimated 12 million people forcibly removed from their ancestral homes in Africa and transported to the "New World" where they would work under brutal conditions for the differential accumulation of the plantocracy (Blackburn 2010: 3). Though illegal slavery and various forms of labour servitude persist, there is some reason to suggest that with the revolution in fossil fuel energy and the mass introduction of machines, space could be opened up for slavery's abolition (Bales 2012; Mouhot 2011; Nikiforuk 2012). Though there were precursors, a comprehensive treaty to ban the international slave trade was not realized until 1890 and it was only in 1926 when a ban on slavery itself was initiated. But the interconnections between the apparatus of violence used to capture and socially reproduce "New World" slavery and the wealth and unequal power of the European-led world order it helped create and recreate is also mirrored in the present global energy order of fossil fuels—with oil by far the most important of the three majors.

Fossil fuels have always been connected with international violence and imperial power and can be traced to the rise of the first military-industrial complexes in the USA and Europe. By the 20th century, the two powers that created the most powerful means of destruction on earth—the USA and Soviet Union—were both awash in domestic oil. While there is much to say about this, we must restrict ourselves to a few comments here. The first comment is to realize that after World War I, the first mechanized or total war, virtually all military and governing officials realized that oil was essential to "modern warfare and industrial life" (Lewis 1921: 357; Yergin 1991). Difficulties in obtaining oil meant certain defeat as was also reinforced in the slaughter of World War II when Germany and Japan's quest for oil faltered and the Allies drifted to victory on a sea of US oil (Friedrichs 2010; Hayward 1995). The second comment is that while the Soviet Union enlarged its sphere of influence after World War II and used its domestic oil to industrialize, build up its means of destruction and for strategic international purposes, it was the USA and the international oil companies that largely organized the international oil order. Many believe that this order is currently changing but I think it is safe to argue that the fount and matrix of the global oil order was and remains US military might and the US dollar, the numéraire for virtually all oil sales not to mention other major commodities (de Graaff 2012). However, oil is not like any other commodity. As the war veteran Stan Goff argued: "Oil is not a normal commodity. No other commodity has five US navy battle groups patrolling the sea lanes to secure it" (cited in Clark 2005: 33). But while the US armed forces may be conceived as a global protection racket for "US" interests, from the capital as power perspective, we move away from methodological nationalism and consider how energy conflicts may actually benefit particular groups while causing great harm to many. From a critical political economy perspective, Nitzan and Bichler (1995, 2002, 2006; see also Bichler and Nitzan 2004, 2014) have done the most to shed light on how energy conflicts relate to the differential profitability of the leading oil firms. Readers are strongly encouraged to consult their works as I can only highlight one of their most important insights here: the fact that—with only one exception—every time that the differential earnings of the leading oil and gas companies trailed the average returns of the *Fortune 500* companies, there were subsequent conflicts in the Middle East that restored the differential profitability of the oil and gas majors.[5] Readers can consider for themselves whether this relationship is merely a coincidence or a pattern based on the oil and gas companies using their power and influence to shape government policy and encourage conflict to boost their earnings. While we may never know for certain without greater investigation, there can be little doubt that the relationship exists. A quick glance at Figure 14.5 already suggests that the "war on terror" was immensely profitable for the oil and gas industry as a

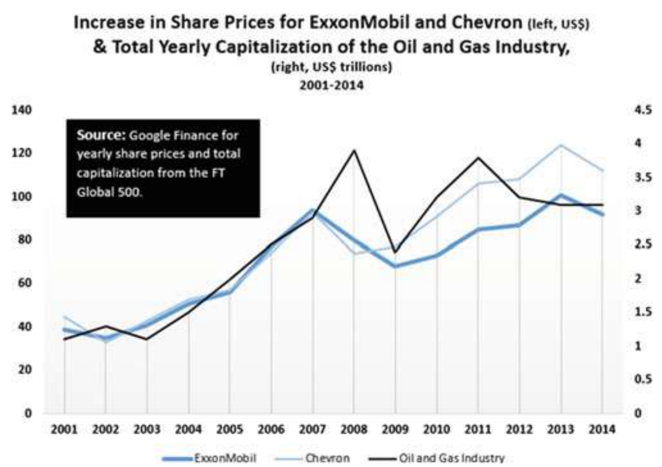

Fig. 14.7 Increase in share prices for ExxonMobil and Chevron (left, US$) & Total yearly capitalization of the Oil and Gas Industry, (right, US$ trillions) 2001–2014

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[5] Whilst there were no major Middle Eastern conflicts in 1996, the US did launch a series of cruise missile strikes during the Kurdish Civil War that year in northern Iraq.

whole. Figure 14.7 shows the increase in overall capitalization of the oil and gas industry listed on the FT Global 500 from the start of the "war on terror" and charts this with the yearly share price of ExxonMobil and Chevron, the two US oil and gas majors. ExxonMobil's capitalization increased by 136% while Chevron trailed a bit behind at 122%. Not a bad return for the dominant owners invested in oil and gas throughout the "war on terror" when we consider that the S&P 500 index provided only a 7% return to investors over the course of the war. There is little question that more spade work must be done to investigate the links between violence in the Middle East and US Grand Strategy as it pertains to energy and the future of world order. There is also much work to be done on the shifting global energy order and how this is connected to differential accumulation. And while analysis must go deeper into the politics and institutional power of the men (and they are typically men) who seek to shape and reshape the world by monetizing oil and arm, a strong starting point is to focus on the battle for differential accumulation.

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15

Coming in from the Cold: Intellectual Property Rights as a Key International Political Economy Issue

Valbona Muzaka

The law locks up the man or woman
Who steals the goose from off the common
But leaves the greater villain loose
Who steals the common from off the goose

(Anonymous, 17th century England)

Unlike production, trade or finance, the study of intellectual property rights has not been central to the discipline of international political economy (IPE). Traditionally seen to fall under the purview of specialized lawyers, some economists and a handful of regulators, it has been only rather recently that more attention to their study is being afforded in the field. The term "intellectual property" (IP) itself entered common parlance only in the early 1980s as shorthand for a set of disparate legal entitlements, of which the most familiar are patents (protecting innovations), copyrights (protecting original forms of expression) and trademarks (protecting words and symbols identifying goods and services). While the concrete nature of these entitlements varies, all confer exclusive, often temporary, rights for the exploitation and commercialization of intangible assets, together constituting a framework that governs the terms of access, exploitation and circulation of technology, knowledge and information. Much of the belated attention to the governance of intellectual property rights (IPRs) in the field of IPE has to do with the shift away from the mass production and consumption patterns of the Fordist era towards the

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so-called "knowledge economy" from the late 1970s onwards, accompanied by radical changes in the IPRs' governance within key advanced economies and, since the 1995 WTO TRIPS[1] agreement, globally. All economic systems have been knowledge-based to varying degrees and rudimentary forms of IP protection have existed at least since medieval times; what is specific about the transformations that have been unfolding since the late 1970s is the increasingly important role the generation and exploitation of knowledge plays in wealth creation, and the equally important role IPRs play in protecting the accumulated capabilities of certain agents in this process.

Knowledge and innovation are a fundamental part of human history and the struggle for control over them has taken different forms through time. The current arrangement that governs IP is a particular materialization of the historical struggle over control of intellectual "goods", that is, knowledge, innovation, creativity, and goods and services that embody them. As the institution of property itself, IP is fundamentally political by virtue of determining who can own, control and make use of what type of knowledge and who cannot. Because of this critical role, IPRs should be seen not as mere technicalities filed away in legal texts, but as forceful forms of social and economic power. This is so because they grant control over valuable processes to their owners and deny others the capacity to use them (unless with IP owners' consent). They function as gateways to valuable tangible objects and other forms of capital, ultimately determining who has the right to exclude others from certain resources and who can claim rights to their economic value (Drahos 1996). Unsurprisingly, the more the generation and exploitation of knowledge has become central to wealth creation, the more complex have the forms of IP protection become. Importantly, because IP claims are embodied in an increasing number of goods and services important not only to economic growth, but also to human and social development—e.g. seeds, food, books, educational material, life-saving medicines, artwork, internet services and so on—IPRs have profound and multifaceted consequences on the way we live, learn, communicate, consume, create and develop. How IPRs are granted, to whom and with what consequences is the concern of us all.

Because they codify a particular arrangement of relations between a very small group of IP owners and the rest (the non-owners), IP protection is anything but natural and neutral. It is the imperative formulated by IP owners as a group—which, incidentally, does not necessarily overlap with that of inventors and creators themselves—that has remained at the core of various forms of

[1] WTO TRIPS stands for the Trade-Related Intellectual Property Rights Agreement of the World Trade Organization of 1994.

IPRs, even if their concrete manifestations have varied through time/place. No arrangement of this kind can be maintained, nor appear legitimate, were it not for the crucial role the state has historically played as its legitimator and guarantor. Indeed, like other kinds of *public* law, IP law is a complex machinery of control with powerful naturalizing and universalizing effects. But it is precisely because of these effects, and its very real socio-economic consequences, that IP law is simultaneously the object and outcome of political struggles between various groups that seek to direct it towards their preferred ends. Accordingly, the more knowledge and its socio-economic benefits have become privatized through IPRs, and the more this process has hastened its pace bringing even more groups and issues into its orbit, the more it has become contested.

The permanent contestability of forms of IP protection, driven by ideological, technological, economic and social changes, and their material, socio-economic consequences unfolding locally, nationally and globally, place the study of IPRs squarely within the field of IPE. Not only should such study be central to our understanding of contemporary developments in the global economy, it also ought to be driven by a critical approach that questions the very foundations on which the current IPRs' governance arrangement stands. It is necessary, but not sufficient, for a student of IPE to know how IPRs are currently governed domestically and internationally. Understanding how the current arrangement has come about, who loses and benefits from it, and, ultimately, how it should be transformed—central preoccupations of critical IPE scholars—requires questioning the taken-for-granted assumptions that make IPRs appear as natural and legitimate, uncovering the processes through which knowledge has come to be seen as a commodity and as capital, and bringing to light the strategies of various groups of state and non-state actors who have helped create and reproduce such arrangements over time/space.

The limited scope of this chapter allows only a very rough sketch of a critical approach to studying IPRs within IPE to be drawn. Attention is turned first to the philosophical and economic arguments that have contributed through time to transforming the peculiar way of dealing with knowledge in the West into the only legitimate one, ultimately elevating ownership over knowledge to the status of (natural) *rights*. Neither these arguments, nor their reproduction and extension to other parts of the world can be understood if the political, social and economic context where they emerge and are contested by various groups is neglected. For this reason, the second part of the chapter charts some of the key milestones in the political economy of IPRs, concluding with the rise of the knowledge economy, where control over knowledge—the "new capital"—has become crucially important both to frontier economies and to those aspiring to catch up with them.

Arguments for IP Protection: How IPRs Became the "Natural" Way of Dealing with Questions of Knowledge Creation and Circulation

It is widely believed today that there would be no creativity and innovation but for IP protection, despite the fact that historically creative periods have often preceded rather than followed the appropriation of knowledge through intellectual property (Daly and Cobb 1989). The "IP as an economic incentive to the individual creator" is one of the fundamental pillars on which the edifice of IPRs rests, but it is only one way of dealing with knowledge production and circulation, one that emerged in Europe and coevolved and clashed with other justifications over time. Indeed, justifying IP has historically been a challenging task because what is to be owned—ideas, knowledge and other products of human intellect—is not scarce the way tangible goods are. Analogies to tangible property are misleading because, unlike tangible goods and objects which can be appropriated individually and thus visibly separated from the commons, knowledge is intangible and not appropriable in this way; once created, knowledge can be used by anybody. Knowledge is in fact a public good, being both non-appropriable and non-rivalrous in nature (Stiglitz 1999; Hughes 1997). IP law counters such nature; by virtue of excluding others and granting control over knowledge to IP holders alone, it deliberately creates scarcity where none existed in order to enable the commodification and appropriation of otherwise plentiful, non-rivalrous intellectual goods (Kinsella 2001). In other words, IP protection has been a crucial, although not the only, means of primitive accumulation and transformation of knowledge into both (fictive) capital and a fictitious commodity in the Polanyian sense (Jessop 2007).

Large-scale exclusion of the kind created by IP demands constant justification. Both early and current arguments for IP retain a strong element of the social welfare it is ultimately meant to serve. Historically, the main justification for patent monopolies was cast in public interest grounds (though many patents were also granted at the whim of monarchs). The very first patent statute, enacted in Venice in 1474, rewarded patents on authorities' assessment of *social* considerations and economic utility for the municipality, thus constituting an early version of the balance between public benefit and private rewards IP law is meant to achieve (May and Sell 2006). In addition, it was originally offered as a solution to the issue of *disclosure* of, not incentives for, technological innovation, i.e. it was meant to help technological *diffusion* and economic growth. It was much later that the utilitarian position which justifies patents on account of them providing adequate incentives for the creation of socially valuable intellectual goods became dominant. Locke's theory of property—even though Locke did not explicitly discuss IP, nor benefitted from copyright himself—was particularly influential in shaping judiciary and regulatory opinion regarding IP, especially during the 18th century when the IP laws were being moulded into their modern form, and it remains obstinately influential today (Mossoff 2001).

The two interpretations of Locke's theory of property are both based on rewards-for-labour justification. The first—the "natural rights" justification—argues that people are *naturally* entitled to the fruits of their labour; the second—the "labour desert" justification—argues that people *deserve* benefits from their labour insofar as the latter creates social value (Hughes 1997; Drahos 1996). In other words, the "natural rights" justification asserts that since a person owns his or her body, he also owns what it does, i.e. labour and the product of labour, because the two are inseparable. The "labour desert" justification asserts that people should be rewarded for adding social value by their labour. A second influential justification for IP came from Hegel's personality theory of property. This is often used in conjunction with Locke's labour theory of property, particularly with the "natural rights" justification. Briefly, the Hegelian justification of property rests on a conceptualization of property as a unique and especially suitable mechanism for self-actualization, personal expression, dignity and recognition as an individual person (Drahos 1996). Applied to IP, an idea or intellectual good belongs to its creator because it is a manifestation of the creator's personality or self (e.g. the "moral right" argument in European, but not US, copyright law).

Both Lockean and Hegelian property arguments have been challenged in the case of IP. It is not at all clear that property is the only way to reward labour, that producing intellectual goods always requires labour, that all types of intellectual goods add social value, or that personality justifications can be applied to goods that do not contain clear elements of personal expression (e.g. a computer programme) (Hettinger 1997; Hughes 1997). Despite the obvious difficulties faced by both labour and personality justifications of IP, they continue to naturalize controversial issues at the heart of IP laws, namely, who will receive reward, what is to be awarded, and how. The most fundamental of these issues relate to the *collective* nature of knowledge production and to the *private* rewards appropriated by the individual IP owner. The labour and personality justifications rest on a romanticized view of the author and heroic image of the inventor that remains at the core of IP justifications today. But this image is a myth: creativity and innovation of any kind is *collaborative*, rather than individual (Aoki 1994), depending upon and incorporating knowledge and ideas generated by others in the past and in the present. Intellectual activity is not creation from nothing; its outcomes are social products, the result of human effort in general rather than solely of individual labour (Hettinger 1997; Kinsella 2001). Questions of attributing a just reward to an individual IP owner (who may not even be the creator/inventor) are vexing: currently, such reward relates to the market value of the intellectual good, but, while the labourer has the natural right to own and *personally* use the fruit of her labour, she does not have a natural right to receive whatever market value that product will garner. Market value is a socially created phenomenon that the creator or IP owner does not produce or control; at best, the right of the IP owners to receive all or most of the market value of their products is a socially created privilege, not a natural right (Hettinger 1997; Boyle 2002).

Indeed, both copyright and patents were treated as statutory privileges in England (and patents but not copyright in France) at least until the end of the 18th century, with judges infusing the language of natural rights with pragmatic considerations for reward for labour and freedom of trade/profession (Drahos 1996). Many of the objections against IP monopolies were overshadowed and the conceptualization of IP privileges as *rights* triumphed in the late 19th century in Europe with the 1883 Paris Convention for the Protection of Industrial Property (patents) and the 1886 Berne Convention for the Protection of Literary and Artistic Works (copyright) (May and Sell 2006). Incidentally, these two conventions ushered in the international IP era that would give way to the global era with the arrival of the WTO TRIPS Agreement a century later. Some of the main reasons for the triumph of the language of IPRs in the 19th century will be made clear in the following section. For now, suffice to say that whatever the merits of the conceptualization of IP as rights—and there are not many—it is difficult to overstate its legitimizing and naturalizing effects: alternatives to IP as rights now appear unthinkable or unacceptable.

One profoundly political way of objectifying and naturalizing the established view of "IP rights as incentive to innovate" is through presenting it as a neutral and *scientific* "truth". Some "scientific" arguments furnished by economics in the 20th century were forwarded in defence of IPRs, and many studies were and continue to be carried out to confirm the importance of IPRs in generating technological innovation for the broader social good. Nonetheless, despite the increasingly sophisticated analytical tools at our disposal, we still have a very limited understanding of even the most basic questions, such as, for instance, what the grant of IPRs accomplishes, or what the relation is between IPRs and innovation (Abbott et al. 1999; Simon 2005).

Overall, despite claims of scientificity, innovation/creativity still remains the terra incognita of science (Magee 2004).

One of the most influential, but also the weakest, economic arguments in support of IPRs is drawn from neoclassical economics. The institution of property is necessary to ensure that resources are allocated and used efficiently, which is achieved through the use of markets where property is exchanged to those that can make better use of it (North 1990). In the case of knowledge, its efficient allocation and use is achieved through market mechanisms; IPRs are the tools through which intellectual goods are rendered as property. Despite the fact that the model bears no resemblance to reality, markets for technology in the neoclassical model, as all markets, are competitive and in equilibrium: technological innovation is available to all innovating entrepreneurs, with benefits eventually accruing to consumers (Fontela 2006). The problem with this argument is not only that market mechanisms are often inefficient and not self-equilibrating, but also that IPRs are (quasi) monopoly rights granted and reinforced by the state.

Most economic arguments, however, do not attempt to justify IPRs on account of their efficiency, simply because the excludability that is their inherent feature always causes an underutilization and inefficient use of knowledge. In welfare economics, Kenneth Arrow's (1962) analysis of patents was influential in highlighting the sources of such inefficiency: firstly, by creating and maintaining excludability for knowledge which is otherwise non-rival and non-excludable, patents permit the price of knowledge to be raised above its efficient demand price (equal to its marginal cost, which is zero). Secondly, by doing so, patents also raise the cost of knowledge which is both the input and output of its production process, thus creating conflicts between producers of knowledge (as well as between producers and users) since the greater the benefits of the first-generation producers, the higher the cost of knowledge for second-generation producers and thus, the lower the incentive to produce more knowledge. Before Arrow, two of the most prominent patent economists—Edith Penrose (1951) and Fritz Machlup (1958)—separately came to the conclusion that no economist could make a conclusive case for instituting a patent system.

The problem economists face hence becomes one of justifying IPRs given the resultant inefficient use of knowledge. The most widely accepted justification is utilitarian: IPRs are justifiable not because they are efficient but because they provide adequate incentives for the creation of socially valuable intellectual products which would not otherwise be produced (Arrow 1996; Kinsella 2001). Granting IPRs provides an overall net benefit, since the benefit of having more intellectual products for use surpasses the cost of granting IPRs to their producers, a "bargain" best expressed in Joan Robinson's IPRs' paradox: "by slowing down the diffusion of progress…[they] ensure that there will be more progress to diffuse" (1969, p. 87). As soon as Hardin's "tragedy of the commons" entered mainstream imagination, the utilitarian argument for IPRs became much easier to grasp, even though many centuries of human history prior to the emergence of modern IPRs had yielded impressive outcomes in arts and innovation (Drahos 1996). More recent work in economics has warned about the "tragedy of the anticommons" that accompanies the grant of more IPRs: not only do they not lead to more and better innovation, but they may well hinder it, because of increased costs of knowledge for second-generation producers, increased legal challenges over IPRs, or, more generally, because of diminished circulation and sharing of knowledge and ideas (Green and Scotchemer 1995; Heller and Eisenberg 1998; Boldrin et al. 2011).

Finally, the strand of economics that emphasizes the role of technology innovation in economic growth the most—neo-Schumpeterian economics—offers the least justification for IPRs. Technological advances/innovation and the associated economic dynamism and growth occurs within specific clusters of the economy, as companies within them seek temporary monopolistic positions that would allow them to increase their profit rates and market share (Schumpeter 1934). Assumptions of IPRs as the key incentives for innovation are challenged in this approach through emphasizing instead the market structure, both before knowledge production and that imposed by the use of such knowledge, as being a more important factor in the creation of intellectual goods. For Schumpeter himself, IP laws tended to grant spectacular prizes to a small minority, while the majority of the entrepreneurs received very modest compensation, if anything, for their activities. As will be seen in the next section, this spectacular aspect of IP ownership has become even more problematic. For neo-Schumpeterians in general, IPRs, especially patents, are not strong prerequisites for research and development in many industries; early market occupancy, reputational and learning curve advantages of being a first mover are in many instances much more important (Scherer 2010). Nonetheless, despite the many unresolved issues at the heart of justifications for IPRs, developments in practice have largely proceeded as if they were the only legitimate and effective stimulus to innovation and creativity.

Developments in Practice: Key Milestones in the Political Economy of IPRs

It can hardly come as a surprise that the ongoing commodification and privatization of knowledge through IPRs—what James Boyle (2002) has aptly referred to as "the second enclosure movement"—has been largely achieved through the agency of private IP owners who have had the most to gain from it. Their success is impressive not only in sustaining the construction of knowledge as *private property* but, since the 19th century, also that of property over knowledge as a *right* rather than what it is in practice: a *monopoly* for a limited period of time guaranteed by the state and subject to certain limitations, with a view to diffusing innovation/creativity and thus—at least in theory—public interest overall. It was noted earlier that the idea of "IP as right" emerged out of the cross-pollination of property theory with general rights theory. That this particular (and peculiar) conceptualization became and remains dominant can be explained not by its intellectual or moral superiority, but by seeing it as the outcome of complex domestic and international contestations between various groups over time. To say that in these contested processes it has been the IP owners as a group that, despite various compromises, have seen their preferred way of dealing with knowledge become the dominant one only reveals part of the history of IPRs, for their success could not have been achieved without the active role played by states themselves.

In principle, this role stems from states' duty of balancing the cost and benefits involved in protecting private monopolies in knowledge for the general public good. Such overall costs and benefits have never been calculated by anyone or any state, but this theoretical balancing act has helped obfuscate and legitimize states' complicity in the commodification and privatization of knowledge. The public good has, for the most part, taken the form of useful knowledge and innovation that promotes economic growth; indeed, the history of industrialization and economic growth has at its core the accumulation of technological capabilities that has been the work of many visible (public) hands. Contrary to neoclassical economic models, the state has historically played an important role in the manner in which knowledge and technological innovation has contributed to growth. The most economically successful states have traditionally been those that, amongst other things, have been capable of protecting and promoting new knowledge and technological innovation within specific and promising economic sectors at certain points in time (Reinert 1995). Obviously, the necessity, spread and depth of IP protection varied in practice, depending largely on predominant views about how IP protection may support innovation in sectors that came to be considered key to economic growth in a specific socio-economic context.

Europe is not only the place where laws of ownership over intangible objects (IPRs) emerged, but also where their further trajectory was shaped, closely intertwined with the trajectory of the modern state itself. The primary concern of the Venetian patent statute, mentioned earlier, was to improve

Venice's position in different emerging industrial sectors, spurred by the birth of new and revolutionary technologies at the time, even if the idea at the core of granting patent monopolies for this purpose was not devised by the legislators themselves. Whatever justifications were later given for them, it has generally been the interests of the *owners* of knowledge—not its producers or users—that have been central to the forms that IP protection took, with states generally sanctioning them (May and Sell 2006). European mercantilist states understood the importance of technological innovation for the growth of their domestic industries, which is why they engaged more systematically in industrial espionage from the mid-17th century onwards (Harris 1998). As the movement of skilled labour was then central to technological diffusion, many European states established a number of policies that were aimed both at attracting skilled labour and banning its outward flow. These policies were not particularly successful, which is partly why technological leadership moved over time from southern to north-western Europe. Domestic IP laws, especially patents, were also used to attract foreign skilled labour earlier on (Chang 2001).

As we saw, it was not until the 19th century that the more familiar justifications based on utilitarianism and rights theory became widespread and the modern IP laws were established. This latter period also corresponds to the emergence of a network of bilateral treaties that started to formalize intra-European trade relations during the mid-19th century and, with them, the reciprocal recognition of IP between European countries. Such recognition was further formalized in the Paris and Berne Conventions of the late 1800s that set in motion an international IP system of sorts by the end of the 19th century. Even so, the international IP regime only partially harmonized extant domestic IP laws and some of the most advanced states continued to violate routinely the IPRs of foreigners and explicitly encourage the patenting of imported inventions by nationals (Chang 2001). Outside Europe, during the 19th century IP laws were extended to colonial territories, concerned not with the local economy—although it would come to that by the end of the 20th century—but rather with regulating European commercial interests as and when they involved these territories (Okediji 2003).

The spread of free trade ideas in the 19th century had important consequences for the trajectory of IPRs in the advanced states of the period. It inspired an anti-IP movement by free trade advocates who, reacting against increasing pressure by groups with an interest in strengthened IP protection, argued that patents were privileges, not rights, that could not be supported between jurisdictions because they constrained the free trade in goods (Machlup 1958). The link between international trade and IP would emerge again a century later, but this time the argument would be the reverse: strong IP protection was necessary for free trade. Despite some successes at its height (e.g. new patent bills in Prussia in 1863, and in England and the Netherlands in 1869) victories were short-lived and the tide turned decisively in 1873, when the first conference on the international protection of patents convened in Vienna. This and other conferences that led to the 1883 Paris Convention (on patents) were completely private affairs where business actors with interests in higher patent protection offered states their agreed solution for "across-the-border" protection of their "natural rights"; some exceptions aside, the states obliged (Penrose 1951; Porter 1999).

The resultant naturalization of the language of (patent) rights from this point on can be better understood in the political economy context of the late 19th century. Despite the spread of free trade ideas, advanced states at the time had not abandoned their "winners-picking" strategies, i.e. support for sectors that were seen to promise economic growth (Reinert 1995). IPRs, such as they were understood and developed then, entered the calculation as and when they related to the specific sectors that promised growth. A suggestive example of states' preoccupation with growth-generating industries and IP protection relates to the emergence of the German corporate model—simultaneously established in the USA and later elsewhere—during the second Industrial Revolution (1870–1914). This new corporate model was predicated as much on industrial research, production and marketing as it was on the management of IP. In light of the growth prospects of sectors where this corporate model took hold—particularly the electric and chemical sectors—a number of states responded to corporate demands to amend patent laws so as to grant them the right to own IP which up to then were granted only to *individuals* (Fisk 2003). Once this was achieved by the patent law of 1871 in the USA, 1877 in Germany and later elsewhere, the pattern of patent ownership would change dramatically; while most patents were owned by individuals in the 19th century, the bulk of the patents at the beginning of the 20th century came to be owned by big business (Drahos and Braithwaite 2002). This marks another important milestone in IP history: corporations, already recognized as a singular personality in law, were granted IPRs for the work created collectively by their employees, thus making a mockery of the "IP as incentive for the lone inventor" justification.

What followed the naturalization of patent rights for corporations by the end of the 19th century had important consequences not only for the further commodification and privatization of knowledge, but also for the world economy. Not only did they own the bulk of patents at the turn of the century, but, regarding patents primarily as strategic business assets, they used the thick web of legal protection afforded by IP protection as a disguise for market sharing, price, and production arrangements between themselves. Indeed, from the end of the 19th century, and especially in the period between World War I and II, firms in many industries created international cartel arrangements of an unprecedented scale and complexity in order to dominate world markets and avoid "ruinous" competition and overproduction (Porter 1999; Drahos and Braithwaite 2002). Facilitated and legitimized by IP protection, these "knowledge" cartels were obviously not about increased knowledge production, efficiencies in research or accelerated technology diffusion; most certainly, they were not concerned with enhancing social welfare.

The use of IPRs as a strategic business tool to control markets, limit competition and the dilution of the technological rents that IP ownership provides, would make a comeback with the rise of the "knowledge economy" from the 1980s onwards, following the so-called "patent's dark ages" after World War II. The anti-cartel mood that followed the end of the war had less to do with the association of cartels with German and Japanese militarism and rather more to do with the US partisanship. On its part, the US anti-cartel zeal at the time was inspired neither by a dogmatic commitment to competition, nor by an antipathy towards IPRs. On the contrary, the USA was essentially taking advantage of its dominant position post-1945 to displace the old corporate regime and tilt the playing field substantially in favour of the new US corporation: the highly (vertically) centralized, oligopolistic corporation—as epitomized by the automobile industry where, incidentally, the patent system had played only a minor role—that was readily associated with the highly regarded ideas of democracy and competition (Porter 1999). Notably, this short-lived anti-cartel mood indicated neither a reduction of states' longstanding concerns about their competitive position in the global economy, nor of their role in promoting the development of core technologies, innovative capacities and technology diffusion as central to their growth strategies. Indeed, technological innovation as a source of economic growth and competitive strength remained crucial during this period, even though neither in the USA nor in Europe were strong IPRs seen as the means of delivering it. On the contrary, US and European national innovation policies were largely driven by knowledge production and technological development promoted primarily through massive public investment in sciences, higher education, intercompany R&D cooperation, and particularly important in the USA, substantial military R&D financed by the national security state (Borrás 2008; Weiss 2014).

Internationally, although a number of new IP treaties were signed (e.g. for industrial designs and plant varieties) and the Paris and Berne Conventions were revisited, states continued to enjoy flexibility in designing their domestic IP laws. While this was part of the broader "embedded liberalism"[2] compromise of the period, it essentially reflected an IP compromise amongst only a handful of advanced states. In fact, the USA and some leading European states remained unmoved by developing countries' demands during the 1960s and 1970s to change international patent and copyright rules so as to enhance the flow of existing technology and educational material to their parts of the world. Much energy was expended by these countries' representatives on reforming the patent and copyright conventions in the context of the broader efforts towards a New International Economic Order during the 1970s, to no avail (Drahos and Braithwaite 2002). Obstinate resistance towards reform on the part of advanced states was due to persisting concerns with the *competitive* position of their own industries in the world market, concerns which would eventually lead to the most fundamental change in the governance of IPRs: the emergence of a global IPRs' regime in the mid-1990s. Indeed, it was precisely due to concerns about its competitive position that US enthusiasm for antitrust measures was reversed during the late 1960s and 1970s, as was its attitude to IP protection. This reversal came about, again, at the behest of US corporations which were now finding that their earlier strategies and the concomitant growth of other economies, especially in East Asia and Europe, exposed them simultaneously to increased competition from, and bigger incentives for greater penetration in, these markets (Porter 1999). In this context, antitrust measures proved a nuisance to their continued growth; as a result of their dismantling, once more spearheaded by the USA, a proliferation of joint ventures, market sharing agreements and equity arrangements have ensued from the 1970s to this day, sharing a similar logic, although not form, to the cartels of the early 20th century.

Those unconvinced of (advanced) states' persistent pursuit of technological rents on behalf of capital invested in the most promising sectors of their economies could do worse than become familiar with the emergence of the IPRs' global regime after the WTO TRIPS Agreement of 1994. Its origins are most immediately located in the transformative period of the 1970s and 1980s and the gradual shift from Fordism to what later became known as the knowledge-based economy. It was becoming clear as early as the mid-1970s that the contribution of advanced technology industries to the economic performance of the USA and some European countries was on the rise, especially

[2] Embedded liberalism refers to the post-war compromise whereby multilateralism, economic liberalism and the quest for domestic stability were coupled and conditioned by one another. For more, see Ruggie (1982), where the term was introduced.

as the more traditional industrial sectors were in comparative decline (May 2000; Sell 2003). During the same period, these advanced sectors, namely entertainment, brand-name goods, and research-intensive sectors, set up a formidable international campaign in order to get their states to strengthen what they viewed as weak levels of IP protection and enforcement globally, especially outside their home markets of the Triad (USA, European Union and Japan). Framed as an issue of "theft" and "piracy" that was antithetical to free and fair trade, their demands for stronger IP protection globally were a hardly-disguised strategy to return to the earlier use of IPRs as a means to maintaining their competitive position, entering new and lucrative markets and limiting competition. Little did it matter that varying levels of IP protection across the world were perfectly legal (from the point of view of international IP law) and that, in any case, they were far more rigorous than they had been when advanced economies themselves were catching up. As far as the latter were concerned, with the more traditional industrial sectors stagnating and the high-tech and copyright industries successfully promoting themselves as viable and vibrant industries most capable of improving growth and competitiveness, the USA and leading European countries came to see the global protection of the IP assets of their high-tech sectors as a competitiveness issue of primary importance to them (Sell 2003).

In a clear example of private power leading to international public law, the USA, EU and Japan, working on behalf of their high-tech industries, managed the seemingly impossible feat of extending global monopoly rights through an international organization concerned with free trade, the WTO. For the first time in history, most states are legally bound to respect the high IP protection standards mandated by TRIPS, regardless of the very different socio-economic conditions prevailing in them. Despite the fact that it was justifying to developing countries—all of whom are net IP importers—on account of "better" IP protection and enforcement stimulating domestic R&D, increased inward foreign direct investment (FDI) flows, transfers of technology and, ultimately, economic growth, TRIPS, and the global IP system it set in motion, is about safeguarding the technological/knowledge gap and the competitive advantage of actors that pushed for it: key advanced states (the USA and the EU in particular) on behalf of their knowledge industries (May 2000). This is by no means the only, but it is certainly one of the main elements of advanced economies' de facto industrial and technological policy in the context of the emergent global knowledge economy.

In light of the schematic arguments presented here, it is unsurprising that the new geography of the global economy is polarized according to two logics: the "cognitive production logic" that favours regions with high concentration of intensive knowledge activities and capabilities, and the "flexible Taylorian logic"[3] that is the fate of regions whose advantage remains in low-cost labour (Mouhoud 2006). While this polarization does not permit the making of simplistic or univocal explanation of the North–South kind, it is certainly the case that the chances of most developing countries in gaining a competitive position in the new knowledge economy currently do not look very bright. It is not only that a much more restrictive global IP regime limits considerably the kind of learning and technology diffusion that was so fundamental to previous catch-up success stories. This was the aim of TRIPS. It is also the case that broader global transformations that have been occurring since the 1980s, particularly the trend towards financialization that has accompanied the rise of the knowledge economy, have resulted in important changes in these countries' socio-economic fabric. Those developing countries that have been most heavily impacted by neoliberal disciplining in the wake of various financial crises that have punctuated the recent decades, have tended to see not the "creative destruction" of the Schumpeterian kind, but the outright uprooting of key components of national innovation systems and the interruption, if not demise, of domestic technological accumulation processes, either due to their economic surplus being siphoned off to (often foreign) financial institutions, or due to key domestic firms and industries being subjected to foreign mergers and acquisitions (M&A), or both (Chesnais 2004). This picture should not lull advanced economies into complacency; it has been suggested that part of the explanation for the clear slowdown in investment rates in the USA and Europe even before the recent financial crisis is to be found in the over-privatization and commodification of knowledge which has resulted from their maximalist IP strategies (Pagano and Rossi 2009). The quandary facing these countries is not only one of designing more "balanced" IP protection levels, but also the more difficult task of addressing the multiple socio-economic-political repercussions that the contradictions inherent in a finance- and knowledge-based accumulation regime have already unleashed. It is these unfolding complex and interrelated developments, and their social and environmental consequences, that critical observers of IPE should continue to interrogate.

[3] Taylorian logic refers to Taylorism, an approach to work organization that aims to improve economic efficiency, especially labour productivity, in the shop floor advocated by Frederick Taylor at the turn of the last century. It is often connected to Fordism and in the context used here implies the continued application of this logic in labour-intensive sectors in various parts of the world.

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16

Globalizing China: A Critical Political Economy Perspective on China's Rise

Henk Overbeek

Critical IPE and the Rise of China

Few developments in the global political economy of the 21st century have received so much scholarly attention as the "rise of China". Although occupying only a small and relatively obscure niche in this wide-ranging literature, there have also been important contributions to studying the political economy of China's recent development from the critical perspective identified by the editors in the introduction to this volume. There is however no widely recognized common core: the field is very young and only beginning to recognize let alone overcome certain key obstacles. First, there is the bifurcation—not absolute, but quite meaningful nevertheless—between the "old China hands" in the field, the China specialists trained and well versed in the history, language and culture of China and the wider region, on the one hand, and those (like the author of this chapter) whose scholarly interest in China has only emerged later and remained secondary to their engagement with broader themes in international political economy (IPE) thus depending on the literature available in English and other Western languages. Then, contributions to the field by Chinese scholars themselves are few in number. There is also relatively little communication between critical scholars within China and those based outside China. Critical Chinese scholars being published in English still form a rare species, with a few important exceptions such as

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Wang Hui[1] (Wang 2009, 2014). In spite of all this, critical IPE scholars have made key contributions to our understanding of the dynamics and contradictions of China's rise in the contemporary global political economy. This chapter aims to survey some of these quite disparate contributions (without any claim to comprehensiveness) and to put them into the context of a more or less coherent conceptual framework.

To this end, there are a few interrelated theoretical considerations to take into account beyond the fundamental characteristics of critical IPE outlined in the introductory chapter in this volume (rejecting the objectivism, status quo bias and value neutrality of mainstream approaches). The first is the need for an historical approach; another is the need for a holistic approach, the last one is the rejection of a state-centric discourse.[2]

The critique of political economy, going back to Marx, starts with a critique of the ahistorical premises of liberal theory which assumes that the capitalist order is somehow the natural order which will last into eternity. It isn't and it won't. *All social structures are historical*, i.e. they have a beginning and an end, they are not manifestations of an eternal natural (or divine) order, but they are man-made and finite. This insight invites us to study the conditions of their emergence as well as the forces that will determine when and how such historical structures will cease to exist.

Second, *the capitalist order is global*: the globalizing tendency of capital has been inherent to it from its birth, and practically all parts of the globe were integrated into this order by the end of the 19th century. Globality does not however mean uniformity: the capitalist order is characterized by the dialectics of combined and uneven development. Concretely this implies that the study of any part of the global system (such as China) must necessarily situate that part in the context of the global system, must analyse its development as it is articulated with that of the system as a whole: seemingly similar "national" developments can mean different things at different moments in "system time".

Finally, a critical approach to IPE must transcend the state-centrism inherent in most mainstream literature. *The world is made up of state-society complexes*. The state must not be reified but must be understood for what it is: an ensemble of institutions and practices that reproduces the existing social

[1] In this contribution I will, when quoting Chinese names, follow the practice of putting the family name first, the given name or names last.

[2] In the interest of readability I will dispense here with giving too many literature references. As will be readily apparent, my approach is heavily indebted to the work of Robert Cox (1981, 1983, 1987), Kees van der Pijl (1984, 1998), and Immanuel Wallerstein (1974); further key references can be found in some of my earlier writings (see Overbeek 2004, 2013).

order and manages its evolution, and as such is an expression of the balance of power between different social forces, classes and class fractions.

Globalization and the Decline of China

Globalization Re-Visited

Globalization is a much abused term, defined in very different ways. However, from a critical IPE perspective, the term "globalization" essentially refers to phases in the history of the capitalist world economy of accelerated expansion and intensification of capital accumulation. Expansion refers to the spatial spread of capitalist relations—incorporation of hitherto external regions into the global circuits of capital and the geographical spread of capitalist relations of production; intensification refers to the process of deepening marketization and commodification in capitalist economies by which new spheres of human existence are subjected to the pursuit of private profit and the discipline of market relations. Ultimately, this process is driven by capital's ceaseless search for cheap sources of raw materials and labour, for new markets, for differential profit rates, for an escape from the internal contradictions of the capital—wage labour relation. Technological changes facilitate rather than cause the intensification of this process; they are often indeed themselves the product of these contradictions.

Capitalism is not new to the world. Some have argued that the global economy, trade, commercial enterprise, and even capital accumulation, have an uninterrupted history of at least five thousand years (e.g. Frank and Gills 1993; Frank 1998). More familiar is the claim that the start of the epoch of generalized commodity production can be traced back to the crisis of feudalism in Europe and the creation of the capitalist world market after the so-called discovery of the Americas at the end of the 15th century (e.g. Wallerstein 1974). These positions are not mutually exclusive. If we trace the basic structures of the contemporary world-economy back to their origins, we arrive in what Wallerstein has called the long 16th century (roughly from mid-15th century to mid-17th century). What distinguishes the post-15th century world-economy from the preceding world economy is the emergence of capitalist relations of production in the emerging core areas, and an international division of labour which came to concern the trade in essentials (such as timber, grain, etc.) rather than the trade in luxury products (silk, porcelain, spices) characteristic of earlier ages and of the trade between centres of economic power remaining essentially external to each other (Wallerstein 1993).

The subsequent expansion of the European world-economy was an uneven process characterized by periods of rapid intensification alternated by periods of consolidation and even reversal, wrought with contradictions. In the past five hundred years we can identify three episodes of intensified market expansion and deepening commodification, namely the episode of the original creation of the world market which we will call the period of *mercantile globalization* or in the words of Wallerstein the long 16th century (1492–1648); the expansion of industrial capital and the rise of imperialism in the second half of the 19th century which we might call the era of laissez-faire *globalization* (1846–1914); and finally the present episode of *neoliberal globalization* characterized by the global expansion of transnational capital (1978–present).[3] The best way to look at these episodes is as distinct periods characterized by intensified change in an historical process of much longer duration, namely the process of capitalist development that has engulfed the globe since the 15th century.

The Closure of China in the Long 16th Century

India and China have long been the most advanced regions in the world, much more advanced than Europe. China was, culturally, technologically and economically the most advanced region in the world until the so-called Great Divergence. It was not until the 18th, possibly even the early 19th century that Europe charged ahead of China in terms of technological, economic and cultural development (Pomeranz 2000). In a much quoted passage, Adam Smith in 1776 identified China as much richer than Europe (Frank 1998, 13). Trade relations between China and Europe date back at least to the days of the Roman Empire, and China consistently ran a significant trade surplus, which was settled by China's trade partners with silver bullion (Frank 1998, passim). In the 14th and 15th centuries China expanded its trade links beyond its traditional land-based links to India and, via the Silk Road, to Central Asia, the Middle East and Europe, and its sea-borne relations in East and South East Asia. Naval expeditions ventured as far as India and East Africa. However, after the death of Admiral Zheng He in 1434, further expeditions were terminated (Frank 1998, 108–109). As Wallerstein argues, it appears that it was the Mandarin bureaucracy rather than the Emperor that thwarted the continuation of naval expeditions. Ultimately this was due to the imperial political structure with its prebendal bureaucracy averse to commercial adventure.

[3] The dates demarcating these episodes are chosen for their symbolic value: it goes without saying that in historical reality the transitions are much more fluid and drawn-out than these specific dates would suggest.

> … [T]o the extent that some groups in China might have found expansion rewarding, they were restrained by the fact that crucial decisions were centralized in an imperial framework that had to concern itself first and foremost with short-run maintenance of the political equilibrium in its world-system (Wallerstein 197, 63).

This is not to say that all commercial activity in China was halted. On the contrary, China maintained its existing regional trade links, which flourished anew after the transition from the Ming dynasty (1368–1644) to the Qing dynasty (1644–1912) had been completed, especially after 1682. China was the centre of a tribute-based world empire in its own right (Frank 1998, 109–116). Development of agriculture and industry, increasingly on a commercial basis, proceeded apace right up to the end of the 18th century. However, China remained external to the emerging European world-economy that was consolidated with the Peace of Westphalia in 1648.[4] Both aspects—the superior cultural and productive achievements of China as well as its position outside the European orbit—are beautifully reflected in this well-known quotation:

> In 1793 Emperor Ch'ien-lung (Qianlong) wrote King George III through the English ambassador to China the oft-quoted letter that "as your ambassador can see for himself, we possess all things. I set no value on objects strange or ingenious, and we have no use for your country's manufactures....There was [is] therefore no need to import the manufactures of outside barbarians in exchange for our own produce" (Frank 1998, 273).

China's Peripheralization in the 19th and Early 20th Centuries

The decline of China started with its forced incorporation into the European world-economy around the turn of the century, and especially after the defeat of Napoleon's imperial design in 1815.[5] The process began with the gradual replacement by Europeans of the Chinese traders in the China Sea

[4] Until the early 19th century, Macao remained the only Western outpost in China, rented as a port in 1557 until it became a Portuguese colony in 1887. Hong Kong only became a British colony after the First Opium War in 1842.

[5] A parallel story can be told of the fate of India, which after 1815 was turned from a superior producer of cotton textiles into a supplier of raw cotton to the textile mills in Lancashire (Frank 1998; Hersh 2010).

(Frank 1998, 274). The First Sino-British Opium War (1839–1842) and the ensuing "unequal treaties" sealed China's fate for more than a century (Lin 2013, 5). The Chinese were no longer able to withstand the pressure of Britain to allow the opium trade which resulted in a steady drain of silver. Although China was never formally colonized during the 19th century, foreign powers—Britain, France, Germany, Russia, Japan and the USA—were able to carve out concessions in the most advanced coastal regions giving them preferential economic access and political, judicial and military control. Throughout the century following the Opium War China was plagued by social unrest and political dissatisfaction as manifest in the Taiping Rebellion (1850–1864), followed by similar rebellions in various parts of China. Defeats in the Second Opium War (1856–1860) and in the Sino-Japanese War (1894–1895) fought for the control over Korea eventually led to the Boxer Rising (1899–1901) which, although defeated, ushered in the rise of a modernizing nationalist movement which overthrew the empire in 1911 to establish Republican China.

When the Versailles Peace Treaty at the end of World War I transferred the German concession (Qingdao) to Japan rather than to the Republic, a new outburst of anti-imperialist struggle followed, the May 4th Movement. This movement led to the creation of both the nationalist Kuomintang (KMT) and the Chinese Communist Party (CCP) (Hersh 2010, 38–41; Lin 2013, 1–6). The new Republic soon fell victim to warlordism, only subdued by Chiang Kai-shek in 1927. At that same time, the civil war between the KMT government and the CCP commenced. In 1931 Japanese forces invaded Manchuria, and in 1937 the Japanese proceeded to invade the rest of China. Between 1937 and 1945 both the KMT and the CCP, while also intermittently fighting each other, conducted a national liberation war against the Japanese. Full scale civil war resumed in 1945 following the defeat of the Japanese, until the CCP drove the KMT from the Chinese mainland to Taiwan, and proclaimed the People's Republic of China (PRC) on 1 October 1949.

A century of civil war, foreign occupation and economic exploitation had taken its toll. China's share of global Gross Domestic Product (GDP) fell from over 30% in 1820 to less than 10% in 1913, and less than 5% in 1950. Its per capita income in real terms fell by a quarter (Maddison 2006). The incorporation of China into the capitalist world-economy and its rapid peripheralization had reduced the once mighty empire to a state of utter despondence.

Strategic Withdrawal: Laying the Foundations for China's Return (1949–1976)

The proclamation of the PRC marked the end of China's decline. In one stroke, China withdrew from the capitalist world-economy and joined the Soviet-led socialist camp. During the first Five-Year Plan it seemed as if China in some ways was trading in its dependence on Western capitalist powers for dependence on the Soviet Union, both in support of its development effort and in support of China's involvement in the Korean War after US forces crossed the 38th parallel. But soon thereafter divisions between the Soviet and Chinese leaderships going back to the 1920s re-opened and by the mid-1950s "the Chinese state [was] sovereign and self-reliant in its political character" (Wang 2009, xix).

Immanuel Wallerstein has characterized the regimes produced by the socialist revolutions of the 20th century as "mercantilist", closing themselves off temporarily in order to return to the world market in a stronger position. He sees them essentially as semi-peripheral areas *within* the capitalist world-economy (Wallerstein 1984). Now, there is of course no denying that post-revolutionary states remained integral parts of the global *state system*, and as such could not escape the "rules of the game" as they apply to formally sovereign states. The return of China to big power status in 1971–1972, with the PRC's successful claim on China's seat in the United Nations Security Council and the subsequent rapprochement with the USA, testified to this (Kissinger 2012, 236 ff.). However, whether a country is or is not part of the capitalist *world-economy* is a different question: is the economy in question integrated into the global division of labour, is it dependent on the world economy for essential imports or finance, is its labour force integrated to any substantial degree in the global labour market? In the case of China, the answers to these questions were largely negative, and the conclusion is thus unequivocal: between 1949 and 1978, China belonged once more to the external arena, in contact with but not part of the capitalist world.

In another sense, though, Wallerstein was right. Exactly being outside, cut off from the dynamics of the world economy enabled socialist China to lay the groundwork for its autonomous development. Maoist China established the PRC as a politically sovereign and economically self-reliant state, which embarked on its developmental journey by mobilizing its own internal resources. This was a journey through uncharted waters, "crossing the river by feeling for the stones" (Wang 2009, xxi). Repeatedly, the project was derailed by internal convulsions: the Great Leap Forward (1958–1961) and the Great Proletarian Cultural Revolution (1966–1976) produced enormous human suffering and have generally been considered major disasters. In spite of that, though, economic growth rates remained high (see Table 16.1). The only years with negative growth rates have been 1961–1962 (−27% and −6%), 1967–1968 (−6% and −4%), and 1976 (−2%). The overall annual growth rate for the whole Mao period (data are available for the years 1953–1975) comes to 6.8%.

More important perhaps from a developmental perspective, the PRC established a system of universal education and rapidly reduced mass illiteracy. Throughout the first half of the 20th century, illiteracy in China hovered around 85–90% of the total population; this figure was reduced to 43% in 1959, and to 25% by 1982 (Ross 2006, 3); between 1982 and 2010, the literacy rate among the population of 15 years and older increased from 66% to 95% (World Bank n.d.). Moreover, the PRC introduced a simplified script and standardized spoken Chinese (Putonghua) in 1955, which since then has been the language of instruction throughout China. Similarly, the Maoist period saw considerable improvement in basic healthcare provision, resulting in a rapid increase in life expectancy from 43 years in 1960, 66 in 1975, to 75 in 2010 (World Bank n.d.).

In short, the socialist revolution in China, in spite of its dramatic disruptions, laid the necessary groundwork for the explosion of economic dynamism after the country re-opened its doors to the world market. The creation of a strong, centralized, effective state; the creation of a uniform "lingua franca"; the provision of free universal education and healthcare; without these achievements history after 1976 would probably not have taken the direction it did (Lin 2013, 43–56; also Arrighi 2007, 370–371; and Li 2010a, 9).

Table 16.1 Real GDP growth 1953–2014

Period	Average annual real GDP growth
1953–1960	9.6
1961–1970	4.5
1971–1980	6.3
1981–1990	9.4
1991–2000	10.5
2001–2010	10.5
2011–2014	8.1

Source: 1953–1959: https://en.wikipedia.org/wiki/Economy_of_China (23-07-2015)

1960–2014: World Bank n.d.: *World Development Indicators*

Globalization Mark III and the Resurgence of China (1976–2008)

Neoliberal Globalization and the Rise of China

Earlier episodes of globalization took place under the hegemony of a leading power: the Portuguese and then the Dutch during the first wave, the British during the second, and the US during the third. But each wave of globalization was equally characterized by emerging rival powers, including the new hegemony. The Dutch achieved hegemony at the end of the 16th century but by the time of the Peace of Westphalia, they were already being overtaken by the English; the British established their 19th century global hegemony after the Repeal of the Corn Laws in 1846, but from the early 1870s onwards their industrial and commercial leadership was increasingly challenged by the Germans and the Americans. In the same vein, neoliberal globalization took off under conditions of US hegemony, but was at the same time conditioned by the opening up of China. The two developments are inextricably intertwined.

Neoliberal globalization was born out of the crisis of Fordism in the core Western economies in the 1970s. The reaction of capital to this crisis was twofold. The first response was a massive shedding of labour, both by intensifying the automation drive in the advanced countries and by relocating labour-intensive production to low-wage countries (what Harvey has called the *spatial fix*: Harvey 2006). The second was the launch of a finance-led accumulation model driven by indebted public and private consumption and speculative finance (Harvey's *temporal fix*).

Historically, the incorporation of new areas into the world-economy has always been one key response to capitalist crisis (Wallerstein 1983). We should however beware of functionalist reasoning here. As such, the opening up of China, although in time coinciding perfectly with the transition to neoliberal globalisation in the West, can only be understood in terms of China's *internal* development.[6] Nonetheless, the death of Mao in 1976, and the rise to supreme power of the "capitalist roader" Deng Xiaoping in 1978, contributed to a reshuffling of forces within China resulting in an unstoppable process of export-oriented economic growth.

[6] The collapse of the Soviet Union a decade later was of course to no small degree the result of Western pressures.

> The[se] reforms just happened to coincide—and it is very hard to consider this as anything other than a conjunctural incident of world-historical significance—with the turn to neoliberal solutions in Britain and the United States (Harvey 2005, 120).

Neoliberal globalization and the awakening of the Sleeping Dragon thus mutually conditioned and intensified each other in complex ways (Hersh 2010; Li 2008; Li 2010b). For many observers (e.g. Harris 2009; Harvey 2005; Hung 2009; 2013; Li 2008; Panitch and Gindin 2013; So and Chu 2012), this meant that China traded in its socialist system for a fully capitalist one, thus being re-integrated wholesale into the US dominated neoliberal capitalist world economy. Others (e.g. Arrighi 2007; Cui 2005; Strange 2011; Wang 2009) are more reserved on the nature of the transition within China and its potential impact on the global order. As I will argue later, we may well be witnessing since around 2010 a rather substantial shift in the nature of China's position in the global order. But we first need to trace the trajectory of China's economic rise since Mao's death, in the context of the process of neoliberal globalization.

From Mao's Death to Tiananmen (1976–1989)

The era of socialist construction along the lines that Mao set out abruptly came to an end in 1976, when Zhou Enlai and Mao Zedong died shortly after each other. Mao had appointed Hua Guofeng as his successor, but briefly before his death Zhou had convinced Mao to allow Deng (purged during the Cultural Revolution) to make a come-back as vice-premier. From that position Deng successfully out-manoeuvred Hu and in 1978 launched his *Four Modernizations* (i.e. reforms in agriculture, industry, defence, and science and technology).

The introduction of small-scale private agriculture and the creation of Special Economic Zones (in Shenzhen, amongst others) open for foreign investment set in motion a decade of accelerating growth. China's GDP rose by 10% on average per year,[7] foreign direct investment inflows (mostly from overseas Chinese communities initially: McNally 2008, 114) rose from US$400 million in 1982 (the first year with a substantial inflow) to US$3.2 billion in 1988 (rising from 0.2% of GDP to 1.0%), foreign trade increased fivefold and exports rose sharply as a percentage of GDP, from 5.2% in 1979

[7] Unless otherwise indicated, data used in this chapter were calculated from the World Development Indicators database to be found on the World Bank website (http://data.worldbank.org/products/wdi).

to 11.7% in 1988. Per capita GDP roughly doubled in the first decade, rising from US$155 in 1978 to US$314 in 1990 (or $1488 in 2011 PPP terms).

This initial reform period can be divided into two phases. The first (1978–1984) concentrated on rural reforms. The people's communes were replaced by household-based organizational forms, and prices for agricultural products were raised, leading to rising rural incomes and a reduction of the rural–urban income gap (Wang 2009, 23–24). During the second phase, reforms concentrated on the urban-industrial sectors, and especially on the reform of the (often loss-making) state-owned enterprises (SOEs). These were first made independent, then allowed to go bankrupt or be bought up by other firms, and finally also reformed in terms of their management model. The result of these reforms was that old social and economic inequalities resurfaced very quickly (Wang 2009, 25–27). The popular protest movement of 1989, which was initiated by students but which gradually broadened its social base to include the urban working class, must be understood against this background:

> As a movement for social self-preservation, the 1989 social movement was inherently a spontaneous protest against the proliferating inequalities spawned by market expansion, and a critique of the state's handling of the process of reform; as a movement of social protest, however, it also pursued a critique of authoritarianism and the methods of authoritarian rule. (Wang 2009, 30)

From Tiananmen to the Asian Financial Crisis (1989–1997)

The initial response of the CCP leadership (with Jiang Zemin having replaced Zhao Ziyang at the height of the Tiananmen events) had been to tighten the reins and freeze liberalization measures. However, Deng (who no longer had a formal position but was still in effect the supreme leader) soon became convinced that to shore up the legitimacy of the regime it was vital to restart and accelerate the process of reform, liberalization and integration into the world market. He unveiled these plans during his Southern Tour early in 1992. Later that year, the Fourteenth Party Congress operationalized this call by defining a target 8–9% GDP growth rate as necessary to achieve the ambitious goals of building "socialism with Chinese characteristics" (Saich 2011, 85–89). Growth was necessary to ensure rising living standards and sufficient job creation in the private sector to compensate for the gradual phasing out of outdated and loss-making state-owned industries. In fact, the challenge for the Chinese regime during these years turned out to be more how to limit growth to a manageable speed than how to increase the speed of growth. Average growth in the years 1992–1996 was over 12%, with the economy always on the verge of overheating and inflationary pressures at times almost uncontrollable. Average annual GDP growth surpassed 10%; exports grew from US$2 billion in 1970 to 11 billion in 1980, to 57 billion in 1990 and to 183 billion in 1997. Foreign direct investment (FDI) inflows grew from US$3.5 billion in 1990 to 44.4 billion in 1997, just before the Asian financial crisis, illustrating the growing role of foreign capital in the Chinese economic miracle.

The balance of the first two decades of China's globalization is mixed. The record in terms of GDP growth, exports, industrialization, is without precedent: never before has a big and populous country produced such a sustained growth spurt over such a long period. But the picture is less rosy when we look at some of the social and political consequences. The rapid development of the export-oriented market economy—through marketization, privatization and corporatization of SOEs, and deepening liberalization—produced a process of rapid social transformation and class formation. The 1980s and 1990s were on the one hand the decades of the creation of a modern industrial working class, highly exploited but at the same time increasingly self-conscious and involved in numerous forms of social resistance to extreme exploitation and lawlessness (Harvey 2005; Henderson et al. 2013; Panitch and Gindin 2013; So and Chu 2012; Wang 2009). On the other hand, liberalization, deregulation and privatization produced a very distinctive ruling class:

> co-existence and interpenetration of various forms of ownership between the state and the non-state domain have provided a golden opportunity for cadres to transform themselves into capitalist owners and managers of semi-state, collective, and private properties. (So and Chu 2012, 174–175)

This "cadre-capitalist class" or state class (van der Pijl 2012; Elsenhans 1991, 78–81) uses its control over the state apparatus, or its privileged access to it (through *guanxi* or informal network relations) to appropriate wealth. The survival of such a state class critically depends on the survival of the state as an autonomous and self-reliant entity. Concretely, China's state class finds itself in a contradictory position. It is structurally dependent on maximum openness to the world market for the maximization of its wealth, but its control over the state is at the same time extremely vulnerable both internally vis-à-vis its own people and externally vis-à-vis the dominant class forces in the global economy, which have in the past always in the end expropriated state classes of earlier contender states (van der Pijl 2012, 512 ff.) Succumbing to domestic resistance or to outside imperialist forces is thus the damoclean sword hanging over the head of the Chinese party elites (who fear the fusion of these two threats more than anything). The decade following the Asian financial crisis brought some of these contradictions to the surface.

From the Asian Financial Crisis to the Global Crisis (1997–2008)

The Chinese decision in 1994 to devalue its currency, the renminbi (RMB), to promote more rapid export growth was a contributing factor to the subsequent financial instability in East and South East Asia eventually culminating in the mass outflow of speculative capital producing what has become known as the Asian financial crisis. But when the crisis broke out in 1997 China kept its exchange rate stable, thus counteracting the threat of a cycle of competitive devaluations in the region (Panitch and Gindin 2013, 147).

China itself, with its capital controls and closed financial system, was not directly affected by the crisis. The indirect effects were also limited: demand in the developed markets hardly suffered from the crisis, enabling China to continue its export drive. In fact, just as other "emerging economies" it embarked on a mercantilist offensive aimed to build up a buffer of currency reserves shielding it against potential future shocks. This mercantilist offensive was greatly aided by China's accession at the end of 2001 to the World Trade Organization (WTO). The share of exports in GDP grew steadily, from some 10% in the early 1980s to a peak of over 39% in 2006.[8] Reflecting the role of foreign capital, it is estimated that more than half of Chinese exports are produced by the subsidiaries of foreign firms (Sauvant and Davies 2010). This successful export strategy was underpinned by a "managed" exchange rate, essentially keeping the yuan pegged to the dollar.

Domestically, the nature of industrial development—resting on an abundance of low-paid low-skilled labour and a prevalence of often foreign-owned export-oriented corporations—provoked continued social unrest. Labour unrest merged with dissatisfaction over environmental hazards, food security issues, rapidly rising inequality and rampant corruption. The social safety net that had been provided in the Mao era (the "iron rice bowl") had evaporated with privatization and the market-oriented reform of SOEs, forcing individ-

[8] That China is such a successful exporter should not necessarily suggest that China's economic growth was exclusively the product of its export surplus. Horn et al. (2010) conclude that in the period 2002–2008, exports explain roughly one-fifth to one-third of economic growth. In 2009, the year of the huge economic stimulus, overall economic growth was 8.1%, with a *negative* contribution by exports (–3.2%).

ual households to save for life risks such as illness, unemployment and old age (Hung 2008, 163). The new leadership succeeding Jiang Zemin in 2002 (with President Hu Jintao and Premier Wen Jiabao) seemed aware of the challenges and launched the notion of a "harmonious society" as its rallying cry.[9] Its policies were a modest attempt to address the causes of popular discontent, but in their first 5-year term they made little headway.

When the 2008 global financial crisis erupted, the effects on China were much more substantial than a decade earlier. Its export markets went into recession, causing a sharp decline in exports, massive lay-offs, and wide-spread bankruptcies. The government responded with a massive stimulus programme (over US$550 billion) which mostly went into infrastructural investment financed through cheap credit to local governments and enterprises. While successfully staving off a recession, it soon became clear that the stimulus programme itself only intensified the underlying contradictions in the Chinese accumulation model that had been building up at least since the early 1990s.

Dilemmas of China's Ascent Since the Global Crisis

The global crisis acted as a catalyst bringing the contradictions of the model much more clearly into the open.

Domestically, social contradictions kept mounting. Issues such as environmental degradation, food (in)security, the exclusion of migrant workers, the high cost of medical care, the lack of housing, corruption of officials and so on were undermining the legitimacy of the CCP's rule. More fundamentally (and this was greatly enhanced by the 2009 stimulus programme), economic growth increasingly rested on bubbles: local government debt, shadow banking, stock market and real estate booms. And each attempt by the government to stabilize the economy or counter market unrest resulted in a subsequent deterioration of the underlying imbalances—including the failed attempts in August 2015 to avert the collapse of the stock markets.

More fundamentally still, it is increasingly recognized that the reliance on very high savings and (public) investment rates is unsustainable, as is its mirror image: the extremely low shares for wages and private consumption in

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[9] Unlike Jiang Zemin, Hu Jintao did not belong to the so-called Shanghai faction, but to the *tuanpai*, those leaders who had risen through the Party ranks after starting their career in the Communist Youth League. The *tuanpai*'s power base is concentrated in the inland provinces (the "red states"), and their politics are focused on reducing social inequality and promoting a "harmonious society" and more balanced growth (Li Cheng 2007, 2008; Saich 2011: 98; Hung 2009, Mulvad 2015).

GDP. The different imbalances are feeding each other and create powerful vested interests blocking change (e.g. McNally et al. 2013; Ten Brink 2013). Attempts to "fix" the problems backfire: higher wages translate into higher household savings because of the absence of proper welfare and pension systems; higher profits and rising income of the higher middle class increasingly translate into capital flight or more speculation as a consequence of the absence of profitable investment opportunities in the real economy (Hung 2008).

In terms of China's place in the global political economy, too, the 2008 crisis has brought contradictions to a head (Overbeek 2012). China's foreign economic strategy had focused initially on relying on overseas Chinese capital to kick start an export-oriented industrialization drive (but building on indigenous strengths in no small part deriving from the Mao period: Arrighi 2007, 351). Subsequently, the Asian financial crisis pushed China into a second stage of this model: especially after China's accession to the WTO transnational capital moved into China on a large scale, transforming the country into a key production and assembly base for the global markets, which also enabled the government to build up massive currency reserves. These grew from US$143 billion in 1997 to US$1.5 trillion a decade later; they surpassed the US$2 trillion mark in 2009, and the US$3 trillion mark in 2011, reaching their peak at US$3.99 trillion in June 2014.[10] The largest part of the dollar reserves are kept in US government bonds and related securities. China holds about half of all foreign-owned US debt, or one-seventh of the total (Johnson 2010). This situation has created a deep interdependence between the Chinese and US governments. As Martin Jacques put it, "a Faustian pact lies at the heart of the present relationship between the US and China, which in the longer run is neither economically nor politically sustainable." (Jacques 2009: 360).

The Chinese have different options to escape their Faustian predicament. The simplest option would be to diversify their holdings into other currencies (euro, yen) or gold. So far, however, this road is mostly blocked by the weakness of the yen and more recently the euro. Then, during the first decade of the new millennium, China invested large sums in building up resource reserve stocks (commodity hoarding), but this option too has run its course in the face of the general slowdown of economic growth, first in China's export markets, then domestically (14% in 2007, 7% in 2014).

[10] Source: http://www.chinability.com/Reserves.htm (31-08-2015). Chinese currency reserves are being depleted since mid-2014, most recently in order to finance the government's attempt to stem the sell-off on the Chinese stock exchanges, and at the end of June 2015 stood at US$3.68 trillion (*Wall Street Journal* 15 July 2015).

Two other avenues are more structural in nature, but also take more time to produce results: outward foreign investment and the internationalization of the RMB. China's outward foreign investment took off substantially following the launch of the Going Global strategy (1999/2001) and the accession to the WTO (Ma and Overbeek 2015). By early 2015, China had become a net capital exporter (Xinhua 2015).[11] This rapid global expansion of Chinese capital is also reflected in the rankings of multinational corporations: between 2006 and 2015 the number of Chinese corporations in the top-100 of Forbes increased from 3 to 15 (http://www.forbes.com/global2000/list/).

The second option to make China's international economic position less dependent on the dominance of the US dollar would be the internationalization of the RMB so that an increasing proportion of China's foreign trade could be settled in RMB rather than in dollars. The international use of the RMB, although still very limited, is increasing steadily. However, full internationalization of the RMB would require the full liberalization of China's capital account. Due to the immaturity of the banking sector and the structural need for a very high domestic savings rate, this would be risky and potentially costly. The prospects for full internationalization of the RMB (even if the RMB would be accepted by the International Monetary Fund (IMF) as an international reserve currency as is currently being debated) are therefore limited: this will be a long and winding road (Germain and Schwartz forthcoming).

Finally, China is facing two interrelated geoeconomic challenges: it has become very heavily dependent on external resources (food, energy, minerals, etc.), and its trade routes (mostly overseas) are very vulnerable (to piracy, but also in case of conflict to interception by the US Navy).

Conclusion: Strategic Shift?

These last points highlight an Achilles heel of the Chinese strategy: its continued success critically depends on reaching an accommodation with the USA. With its political if not proprietary control of Chinese capital, the Chinese state class was content to defer to US hegemony while it could still hope to be accepted as a key partner in the management of the capitalist world economy. Around 2010 it became clear that USA-China divergence has become the dominant trend (Hung 2013): the US-led transnational power

[11] As is well known, we need to be careful with statistics: reliability and comparability are usually not perfect. This is a fortiori the case with Chinese statistics (see Breslin (2013)).

bloc had basically rejected the Chinese application (through its blocking of an upgrade in China's standing in the IMF, through the offensive for a Trans-Pacific Partnership (TPP) in response to the WTO impasse, and by misreading China's acquiescence in the case of the Security Council resolution on Libya) while emanating at the same time signals that the Chinese could only perceive as threatening (the "pivot to Asia", the targeting of regimes in Iran and Russia). The Chinese state class, especially after the coming to power of the new leadership under Xi Jinping[12] in 2012, has responded by shifting its focus to fostering new alliances and constructing an alternative international framework. The key components of that new framework are the BRICS (Brazil, Russia, India, China, South Africa) created in 2010, with the plans for a BRICS Development Bank, the Shanghai Cooperation Organization (SCO) created in 1996 but recently revamped with the accession of India and Pakistan, and then the One Belt One Road "initiative" and the Asian Infrastructure Investment Bank (AIIB).

The latter two are clearly initiatives to provide hegemonic leadership to expanding regional networks, and the successful recruitment of traditional US allies such as Australia and the United Kingdom (which both ignored heavy US pressure) to the AIIB may well signal the coming of age of the China as a 21st century global power.

It is obviously too early to say what the outcome will be (as So and Chu state). The Chinese challenge can be defeated by a successful US counter-offensive (Panitch and Gindin 2013); China may be incorporated into the order established by the transnational capitalist class (Harris 2009); or it may successfully withstand global neoliberalism (Arrighi 2007; Strange 2011; Ten Brink 2014). Some even think it possible (although less likely every day) that domestic pressures may force the Chinese leadership to return to the socialist path (Wang 2009; van der Pijl 2012). What is certain, however, is that over the next decades the global political economy will be decisively shaped by the trajectory of China's rise and by the relationship between US ruling elites and the emerging Chinese state class.

[12] Xi Jinping belongs to the so-called *princeling* faction: princelings are the offspring of revolutionary heroes and other prominent Party leaders: they have been among the greatest beneficiaries of China's integration in the world market and the spread of capitalist development, and are regionally concentrated in the coastal provinces (the "blue states") (Li Cheng 2007, 2008; Hung 2009). Xi's policy preferences can be summarized as "promoting economic efficiency, attaining a high rate of GDP growth, and integrating China further into the world economy", boasting good relations with prominent US leaders such as Hank Paulson (Li Cheng 2008: 85–6). For more information on his network, see Li Cheng 2014–2015.

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17

Antinomies of the Indian State

Waquar Ahmed and Ipsita Chatterjee

The BRIC economies, that refer to Brazil, Russia, India and China, symbolize the apparent shift in global economic power away from the USA and Western Europe. India is one of the prominent members of the BRIC economies. India's annual growth rates of net national income at constant market price during the eighth ((1992–1997), ninth (1997–2002), tenth (2002–2007) and eleventh (2007–2012) Five-Year Plans have been as high as 6.5%, 5.4%, 7.6% and 7.5% respectively. In 2014–2015, the advance estimates of the annual growth rate of net national income at constant price were reported at 7.4%. In other words, India's economy has grown at a relatively high rate since the initiation of the free market or New Economic Policy in 1991. The benefits of India's new economic policy and foreign investment friendly climate, however, have been slow or negligible for the large majority of the poor. Only five countries outside Africa (Afghanistan, Bhutan, Pakistan, Papua New Guinea and Yemen) have lower "youth female literacy rates" than India, only four countries (Afghanistan, Cambodia, Haiti, Myanmar and Pakistan) do worse than India in terms of child mortality rates and none has a higher proportion of underweight children (World Development Indicators 2011). Hence, the question arises, how does the new economic policy gain acceptance in a democratic India? And how does a democratic state gain legitimacy in the face of such uneven development?

This chapter examines the tensions and contradictions within the Indian state in its production of socio-economic policies. Pressure of global governance institutions, multinational corporations, and neoliberal states of the global

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North that back such corporations have been instrumental in producing market friendly economic policy in India (Harvey 2005; Peet 2007). Additionally, in representing the interest of the national bourgeoisie, the Indian state has been receptive to ideas that favour marketization of the Indian economy (Ahmed, Kundu and Peet 2010). In other words, India's developmental strategy is essentially neoliberal. However, public pressure, where the poor constitute the majority of the Indian population, has compelled the Indian state to also strengthen welfare. In examining this contradiction of the simultaneous production of neoliberal and welfare policy, we analyse the case of the public distribution system (which is being marketized) on the one hand, and the employment guarantee scheme (that demonstrates strengthening of welfare) on the other. By examining seemingly contradictory economic/developmental policies in India, we add to the existing literature on state theory and neoliberalism. It concludes that the state in India is tasked with carrying out neoliberal policies. The policies do not preclude reforms, nor do they preclude some pro-poor initiatives through state intervention. The nature of neoliberalization in India, thus, needs to be understood in a unique context of power exercised by class relevant forces. In the following section, we assess and reconceptualize the state in the context of neoliberal policy regime to establish policymaking as a class project. This is followed by two case studies, first of India's changing public distribution system that exemplifies neoliberalization, and second, of India's employment guarantee scheme that seems to strengthen welfare. Examination of the simultaneous production of marketization and welfare will establish the context of policy production within a dialectical framework where policies are understood in their interconnections with other things and processes within a wider whole. The conclusion summarizes our findings on the nature of democratic states under neoliberalism.

State and the Neoliberal Policy Regime

Most contemporary liberal theories of the state draw upon the works of Truman (1951) and Dahl (1956). Truman proposes that contemporary society is divided along the lines of interests or one or more shared attitudes. The extent to which an interest group achieves access to the institutions of government, and in turn influences the state and its policies, is based on a complex of interdependent factors like the interest group's position in the society, internal characteristics of the group, and aspects of the state institutions themselves, amongst others. In the context of a democratic state, Dahl argues that such a system represents rule by multiple minority oppositions and the general direction of state policy is positive for the citizenry at large—in turn, Dahl rejects the notion of class power. Additionally, Truman, Dahl and other liberal theorists implicitly assume that interest groups exist outside, and independent of, the (passive) state, and are capable of manipulating governance or state policies (see for example Galston 1991).

The ontological separation between state and society, assumed by non-dialectical liberal theorists, and reiterated by certain strands within Marxism, is problematic—we will revisit this problematic conceptualization of the state later in the paper. Additionally, we reject the liberal/pluralist notion of power. By "power" pluralists have generally meant an ability to achieve one's aims in the face of opposition. Dahl's ideas that state policy is positive for the citizenry at large, and that everyone can be more equal than others, is far removed from social reality.

Marxist and neo-Marxist theories inspire our understanding of the state and its policies. But we separate ourselves from that strand of Marxism that conceptualizes the state as independent of society or economic production. Marx (1975 [1843], in his early writings, characterized the state as parasitic and separate from the process of economic production. But after conceptualizing capitalism as a mode of production Marx, in his latter writings, no longer saw the state as parasitic and outside the process of economic production—he saw it as intrinsic to class domination (Althusser 1969; Jessop 1990).

Marxist-Leninists too see the state as neutral and as an instrument of class power that can be used equally effectively by any class or social force (Jessop 1990). We recognize and sympathize with the context and revolutionary zeal of such an assertion, but are intellectually reluctant in accepting such a notion of the state, because often, modern democratic states, controlled by the bourgeoisie, produce pro-labour or pro-poor policies. Similarly, elected representatives from within, and of, labour or subalterns, exercise substantial control over the state, often empowering capital and disempowering the subaltern. Such contradictions in the control of the state and the nature of power exercised may, at certain times and in some spaces, be necessary to protect the larger interest of capital.

Miliband (1968) challenged liberal theorists of democracy by exposing the personal ties, social background and shared values of the political and economic elite, and analyzed their relationship to policies that affected the distribution of wealth. More importantly, Miliband exposed the relevance of the process of socialization of those in "government" into the ideology of the ruling class—such a critique is also relevant to understanding the dictatorship (which we understand as anti-communist) of the political elite in the former Soviet Union, or the neoliberal policies espoused by the Chinese Communist

Party. Miliband, however, assumes that a state is capitalist only to the extent that it is controlled by representatives of the bourgeoisie (Jessop 1990)—he did not expose the embedded nature of class power in the very social formation that constitutes a capitalist society.

Poulantzas (1975), as opposed to Miliband, understood the state as a complex social relation. Poulantzas saw class and class power as intrinsic to the very nature of the state, and not something outside the "independent" state that was simply prone to class manipulation. Poulantzas (1978) also argued that class struggle is reproduced within the heart of the state apparatus itself, rather than produced only within civil society. We find the above stated views of Poulantzas extremely useful in our own conceptualization of the Indian state. We also find some neo-Ricardian views of state useful in our research. Neo-Ricardians focus on the influence of the state on the distribution of income among classes through policies such as fiscal changes, subsidies, nationalization, devaluation, wage control, trade union activities and many others, simply to maintain or restore corporate profits (Jessop 1990; Glyn and Sutcliffe 1972; Boddy and Crotty 1974). Being mindful of monopoly capitalism's tendencies towards falling rates of profit and stagnation, neo-Ricardians explain state intervention, and even income redistribution, as strategies for maintaining the dynamism of capital accumulation. But some neo-Ricardian perspectives come with the baggage of the ontological separation (read non-dialectical) between state and capitalist society and we steer clear from such a position. In other words, our understanding of the state is largely inspired by some of Poulantzas' position, where he understands the state as a social relation. And since capitalism is a dynamic social relation, we see the state, which is intrinsic to capitalist social formation, as a political project in a continual process of formation, deformation and reformation (Painter 2000). Additionally, we understand the state as a site of struggle, given that capitalism itself encapsulates contradictions and contestations. Given the inherent contradiction within capitalism, and in turn any capitalist state, we draw upon neo-Ricardian explanations of state intervention, where such intervention, within a capitalist social relation (and even when seemingly pro-poor), is performed to maintain the dynamism of capitalist accumulation.

Having laid out our position of the capitalist state, we also want to briefly examine neoliberalism so as to get to a more nuanced conceptualization of the neoliberal Indian state. On the one hand, neoliberalism is a policy regime furthering the interests of a new economic formation, global finance capital, and creating global spaces in which finance capital can range freely in search of ever-increasing profits (Peet 2007, 2011). On the other hand, neoliberalism as a process encompasses replacement of older social relations with corporatization, commodification and privatization of public assets (Harvey 2006). The role of the national/local state, in the context of neoliberalism, is to create and preserve an institutional framework appropriate to such practices. It must also set up those military, defence, police, and juridical functions required to secure private property rights and support freely functioning markets. The privatization and corporatization of hitherto public assets has been a main feature of the neoliberal project and its primary aim has been to open up new fields for capital accumulation in sectors that had been regarded off-limits to the matrix of profitability (Peck 2001; Peck and Tickell 2002; Harvey 2006). In this chapter, however, we examine: India's Public Distribution System (PDS) where privatization has been more subtle or discreet; and India's employment guarantee scheme, known as the National Rural Employment Guarantee Program (NREGP) that has strengthened welfare, rather than further marketized the Indian economy. Examining these cases/sectors of the economy allows us to refine the conceptual framework for understanding neoliberal states, whose policies, at times, are not so "cut and dried". In other words, we re-conceptualize the neoliberal state, based on our case studies, when we conclude this paper.

India's New Public Distribution System and Food Security

The PDS in India represents an important form of government intervention to alleviate conditions of poverty by fostering food security and better nutrition. Hunger and malnutrition are considered important criteria for economic vulnerability and hence poverty and inequality in society. The rationale therefore, is to provide a social safety net for the poor by providing them access to subsidized food grains and other essential items like salt, sugar, oil, lentils and fuel oil, such as kerosene. The central government, through the Food Corporation of India (FCI), procures food grains and other essential commodities from domestic producers at pre-announced prices. The grains and commodities then undergo a variety of sorting and are then sold to state governments at a uniform "issue price", with the state governments adding to this some handling costs, and finally selling it to consumers through a network of "fair price shops" commonly referred to as "ration shops." Until 1992, the PDS was, at least in theory, a universal system, that is, there existed no specific class-based or geographic targeting of groups who could access this system—it was therefore, a general entitlement scheme for all households (Jha and Acharya 2013). This universal system was replaced in 1992 by a revamped PDS, based on a principle of geographic targeting in tribal, arid, hill and remote areas and then by a targeted PDS (or TPDS) in 1997. High operational costs and corruption was cited as important impetuses behind the change from the universal to the targeted system. The notion was that pre-green revolution scarcity was a thing of the past, and therefore, the time was right to make the PDS more efficient, and less costly, by streamlining it towards specific target groups, which gained popularity (Ahluwalia 1993). The dismantling of the universal model for a targeted approach immediately followed India's adoption of neoliberal reforms. The push towards austerity, reduction of public expenditure, and the roll-back of social welfare programs for a leaner and meaner state that calls for efficiency and growth rather than social equality, defines the core of neoliberal economics. The move from a universal PDS to a more targeted approach reflects that increased urgency towards cutting expensive social welfare programs down to size, so that they conform to the austerity measures being pushed on Third World countries. Under the new TPDS, the targeted households were categorized as Below Poverty Level (BPL) or Above Poverty Level (APL). The BPL households continued to receive subsidized food grains under the TPDS scheme, while subsidies to the APL households were gradually phased out of the program (Khera 2011b).

In a generally poor country like India, targeting poor households is a notoriously difficult task—the greater the attempt at excluding non-poor households, the greater is the likelihood of excluding deserving poor households. A survey of PDS in eight countries has revealed that in countries where the proportion of poor people is large, targeting leads to more exclusion errors, and consumes more money than it saves. With the targeting of only BPL families in the post 1997 context, many low-income families became food insecure; in the first seven years of targeting, the per capita calorie consumption declined in India (Cox 2012). Dreze (2010) argues that identifying poor households is likely to be a "hit-or-miss exercise"—a landless family may, or may not, be poor; a Scheduled Caste (low or outcaste within the Hindu caste structure) household may or may not be poor; a non-poor household may become poor due to unemployment or illness; the poverty line is a technical statistical cut-off and should not be frozen into a water-tight category. Not to mention, that an entrenched caste-based feudal power structure will easily manipulate BPL surveys, such that non-poor households get included, while poor ones are unable to get ration cards. Arguing for a universal PDS, both Dreze (2010) and Ghosh (2011) contend that cohesive public demand for a functional PDS is crucial for its success. Right to food should be a demand vocalized, not only by the poor, but also other income categories, and only when other income groups, particularly the better-off groups who have greater political voice, also have a stake in the PDS, can it run successfully. Studies of public provision in other countries have demonstrated that, where the public provision is universal, it is more likely to be also accessible to the poor (Mkandawire 2001), because universal public provision generates a middle class that fights for the success of such provisions.

India's Food Security Bill (2013) proposes to "provide for food and nutritional security in human lifecycle approach, by ensuring access to adequate quantity of quality food at affordable prices to people to live a life with dignity and for matters connected therewith and incidental thereto". India's Food Security Bill incorporates certain entitlements—it proposes to cover 75% of India's rural population and 50% of the urban population in making a designated quantity of food grain available every month at a highly subsidized price. The bill also guarantees age-appropriate meals, free of charge, through India's Integrated Child Development Services for children in the age group of 6 months to 6 years. Additionally, children aged 6 to 14 years would be provided one free mid-day meal every day, except on school holidays, in public and government aided schools. The bill also has entitlement provisions for pregnant and lactating women. In other words, the proposed legislation is socially progressive and pro-poor. A comprehensive food security act (the kind currently being debated) that can address the problems of malnutrition and hunger, and hence social vulnerability and inequality in India, would cost only 1.5% of India's gross domestic product (GDP), and larger sums of money are spent every year on issues that are socially less relevant—government warehouses stock 60 million tonnes of food grain and these stocks can be opened for a more universal PDS (Dreze 2010). Unfortunately, the neoliberal policy regime calls for the exact opposite—it asks Third World countries to restructure their economies such that smaller and smaller percentages of the GDP are spent on redistributive measures like the PDS, thereby forcing citizens to rely increasingly on the market. This in turn, means increased vulnerability of already vulnerable groups because of their dependence on free market prices, which is based on a social-Darwinian strategy of the survival of the fittest (Peet 1985), for their daily intake of food. Therefore, a switch from the universal to the targeted approach in the PDS is not so much a rationale for increased efficiency of a public provision system, rather, it is an argument for a downsized and smaller public provision system in keeping with a reduced redistributive role of the state and increased encroachment of the private sector that neoliberalization calls for. It also systemically weakens the fabric of this public provision because of its sole reliance on the poverty line as the chief defining criterion for the targeted groups—the poverty line, being a statistical measure, does not capture the food insecurity of low-income groups that may be above this technical minimum. The identification of BPL families, or the impossibility of it, allows for a much less effective, and much more inefficient system than a universal PDS could have captured—the efficiency argument offered to defend the targeting approach is untenable.

The neoliberalization of the PDS is accompanied by a steady reduction in food subsidies—the neoliberal regime calls for a reduction of subsidy and an increased dependence on international free trade for food. Under the neoliberal logic, subsidies are unwarranted government handouts that thwart the spirit of free competition. The share of food subsidy in the union government's expenditure, and in the GDP, is on the decline—in order to run a universalized PDS, the share of the food subsidy must go up (Jha and Acharya 2013). Targeting approaches in the PDS become an economic necessity in the context of reduced food subsidy and increase in food scarcity—since food subsidies are unlikely to go up under the neoliberal regime, a universalizing PDS will become more and more difficult because food production and availability are likely to go down. A combined impact of less domestic production of food (a fall-out of reduced food subsidy) and a TPDS that often fails to target the poor will contribute to food insecurity, hunger and poverty.

The Government of India's Economic Survey for 2009–2010 floats the idea of replacing the TPDS with a system of coupons or a cash transfer system (CTS). This idea has been subsequently ratified in the 2011–2012 budget speech, in which the finance minister of India claimed that a large portion of the kerosene and fertilizer that is distributed through the PDS does not reach the targeted groups due to corruption and leakage, and hence the government would switch to a direct transfer of cash subsidy to people below the poverty line in a phased manner. This was followed by a pilot project undertaken by the Government of Delhi to replace food grain distribution with cash transfers (Ghosh 2011). A provision of the Food Security Act will allow a move from the TPDS to a CT system at the discretion of the individual states. This would mean that the fair price shops would be phased out, and the recipients of CTs will then purchase grains at market prices from stores and shops in the open market. Cash subsidies would be directly deposited in the bank accounts of BPL families, or, if food stamps were used, they would be used in the form of "smart cards" as in the USA (Cox 2012). Unique Identification Documents (UIDs) would be issued to all Indian citizens in the next few years which would include biometric measures such as iris scanning, all ten fingerprints, and the collection of an eye lash. Once instituted, the UID number would allow for direct electronic transfer of cash. Svedberg (2012) asserts that the CT system would plug leakages of food from the TPDS circulation—according to 2004–2005 estimates, more than half the food grains intended for the

TPDS leaked out of circulation even before reaching the fair price shops. Ghosh (2011), on the other hand, argues that if the larger objective of a PDS is to alleviate conditions of food insecurity and hence poverty, then the CT system is unlikely to achieve such an objective, because it will only serve as short-term relief and will not fundamentally alter the structural constraints that make poverty possible in the first place. CT systems work best under the assumption that other structures of public provision are already in existence and are accessible easily to the poor. Citing the example of the Bolsa Familia CT program of Brazil, Ghosh argues that such a program requires minimum school attendance or compulsory attendance at health clinics, because good quality public schools and health care systems are already in place—the cash serves as an incentive for using these existing provisions. But, in the absence of a solid public provision service delivery system, the CT system will fail miserably, because providing a small amount of cash to gain attendance to private schools or to private hospitals would do nothing to alleviate economic vulnerability and improve the quality of life. Poverty is a systemic problem and to address it would require more fundamental solutions than superficial cash allocation. A comprehensive solution to poverty must deal with questions of the uneven concentration of assets in a society where some groups have historically concentrated most assets at the cost of others. CTs are an important form of relief, but they do not address systemic inequalities in property distribution, employment, or access to social goods, like education and healthcare. Unfortunately, the neoliberalization of global geoeconomics calls for a systemic and fundamental structural change—a change that dismantles institutions that were set up to correct inequalities in distribution of assets in employment, education and health. Therefore, in the neoliberal context of reduced or weakened public provision, poverty and vulnerability is more entrenched, and in that systemic context, the CT system is likely to provide very little well-being, because the cash transferred for food grains will most likely be used for other urgent needs like payment of medical bills or debt repayment. Therefore food subsidies usually tend to improve nutrition more than cash subsidies (Cox 2012). Gender relations within households also determine how cash is to be spent. A survey conducted in Delhi revealed that women usually prefer food subsidies over cash subsidies because patriarchal power relations within households often deny them the right of access to cash and economic decision making (Ghosh 2011). Added problems of inflation and volatile price rises are likely to erode the benefits of the real value of a CT and deny needy families access to food grains from the open market. Price indexations of such transfers are complex, inadequate, and often too slow to cover such price rises. Illiteracy and poor banking networks are also likely to be important impediments to the CT system, making direct transfers to bank accounts impossible for many vulnerable households. Dismantling the PDS for the CT system will also rob vulnerable farmers from guaranteed grain procurement at minimum support prices, thus increasing their insecurity and, in extreme cases, pushing farmers away from food crop production and even the agricultural sector.

A CT system is an important social redistributive measure and can be an effective ameliorative policy in countries like India that are ridden with class, caste and gender inequality, poverty and vulnerability, but a CT system cannot be induced in lieu of a universal PDS, because CTs do not fundamentally alter the systemic structure of inequality that produced poverty in the first place. A universal PDS is an unequivocal statement that the "right to food" is a fundamental right of all citizens irrespective of class, caste, religious or gender positions; as such it forms the structural base of a society that has a social contract and political will to reduce poverty and improve quality of life for all. A universal PDS, therefore, resoundingly refutes the idea that humans must compete as individuals to earn food in the free market and those who cannot compete must go without. Therefore, the PDS exists as a systemic opposite to the neoliberal logic that categorizes public programs as wasteful and costly forms of entitlement existing beyond the disciplining influence of the market. A targeted CT system is certainly a form of social redistribution, but it only claims to put some money in the banks of people who may urgently need more nutrition to live. It cannot, even at the theoretical level, guarantee the right to food for all, especially when vulnerable groups must go out into the open market with this cash to buy food. In the context of greater neoliberal austerity, and increased systemic vulnerability due to reduced public provisions and reduced food subsidy, CTs are unlikely to reduce long-term insecurity although they may help ameliorate immediate vulnerabilities. It is true that the universal PDS in India has suffered from corruption and leakages, but the solution cannot be the dismantling of a social contract that pledges to reduce hunger among fellow humans and replace it with an even weaker social redistribution mechanism like the targeted CT system. Rather the effort should be to challenge neoliberalism by strengthening the universal PDS along with other structural changes that can address the cause of poverty itself. Social redistribution used to be the means to an end, an end to poverty—that, what a fledgling nation once deemed important, but as the nation grew older, it adjusted its ends with the global geoeconomics of neoliberalism. Within the rational of neoliberalism, poverty is not a problem; it is just an economic anomaly that will be automatically be rectified as poor people learn to be more competitive. Therefore social redistribution like the PDS is unnecessary and hence can be dismissed in favour of weaker redistributive measures that slowly nudge the society away from redistribution and towards competition.

Even as we highlight the "shrinking" of the state through the TPDS and the CT system, we want the readers to be mindful of the contradictions—the state champions the CT system as a redistributive strategy geared at helping the poor. But more importantly, the TPDS and CT system run parallel to the proposed federal food security legislation in India. The food security legislation, in its comprehensive form, is designed as an entitlement program. And this brings us back to our initial argument—neoliberalism in India is not so cut and dried. Contradictions of, or created by, neoliberalism are manifested in contradictions in state policy that are designed to address emerging social contradictions, and also secure future accumulation. We return to this point in our conclusion. But before doing so, we examine India's rural employment guarantee program, which again seems to suggest strengthening welfare provisions under the neoliberal economic regime.

Fighting Poverty Through Employment Guarantee in Neoliberal India

In its effort to fight rural poverty, the Government of India, in 2006, adopted the National Rural Employment Guarantee Act of 2005. This Act, for the first time, made the "right to work" legally binding or justiciable in rural India through the National Rural Employment Guarantee Scheme (NREGS). This scheme was renamed the Mahatma Gandhi National Rural Employment Guarantee Scheme (MGNREGS) in 2009. The MGNREGS guarantees 100 days of employment per year in unskilled labour to all willing adults in rural households at the government-determined minimum wage. In addition to guaranteeing work during "ordinary" times, the MGNREGS can be used to create job opportunities in "extraordinary" times. It is now possible to use the employment guarantee scheme, and in turn public works, to provide work and income in the aftermath of an economic crisis, and natural and human-made disasters (Krishnamurty 2006).

The state governments are legally bound to make work available on demand under the MGNREGS. In case of failure to make work available within 15 days, the state governments are liable to pay an unemployment allowance. It is, however, the federal government (central government) that bears 90% of all variable costs for the scheme, which includes wage costs and three-quarters of the non-wage component (since such schemes also involve investments in capital). The federal government also provides 6% of program costs to state governments to supplement the administrative costs for the scheme.

This scheme encourages a participatory and bottom-up approach to development. Open village meetings, or *gram sabhas,* have the responsibility of identifying suitable projects, and local government institutions, or *gram panchayats,* have the central role in planning and implementation of such projects through the MGNREGS (Dutta et al. 2012).

The MGNREGS targets the poorest of the poor through minimum wages. It is assumed that the non-poor will not want to do such work, and those who benefit from this scheme will keep looking for better opportunities or higher paying work. In other words, the scheme is designed to discourage dependency, since the poor will readily turn away from the scheme when a better opportunity arises. Additionally, this scheme tacitly regulates the labour market (Dutta et al. 2012). It facilitates the regulation and enforcement of minimum wages in the open market. When employers in rural areas refuse to pay the state determined minimum wages, the labourer can easily choose to work under the employment guarantee scheme.

Despite India's budgetary constrains within a neoliberal ideology, the MGNREGS has already made significant progress in several states (Chandra 2010; Dreze and Khera 2009). According to the MGNREGS survey 2008, of workers in ten districts in six northern Indian states, 46% of the sample workers received the statutory minimum wage. Out of all respondents 71% pointed out that the work opportunity under the scheme was "very important". 69% thought that it helped them escape hunger and 57% of the respondents could avoid migration because of the employment guarantee scheme. As many as 47% of the respondents could cope with illness because of their income under the scheme and 35% of the respondents could stay away from hazardous occupations because of the opportunities under the scheme. In economically backward regions of India, returns to private investments are low, because many public goods, such as healthy watersheds or basic infrastructure, that govern rate of returns, are missing—such areas need major public investments to bring them out of the low-level equilibrium trap (Nelson 1956). This is where MGNREGS, even from a growth-focused form of development, can really help.

It must be added, however, that the MGNREGS does not provide an instant panacea to the rural poor, who have faced decades of neglect and exploitation at the hands of the state and the local elites. The success of such a scheme depends on an open-ended commitment by the state to public spending, as the scheme should be able to accommodate all who seek work. In reality, however, budgetary constraints at the federal and state levels are limiting factors, limiting the state's ability to honour the guarantee. As a result of the financial constraints, rationing of work under the MGNREGS has become common, particularly in the poorer states. The problem is acute in poorer states because, first, incidences of poverty in these states are higher, and hence demand for MGNREGS work is higher, and second, poorer states are often unable to afford the share of the costs that is their responsibility (Dutta et al. 2012). Despite these shortcomings, one cannot deny that the MGNREGS is a serious effort on the part of the Indian state to strengthen welfare, despite an overarching neoliberal mode of socio-economic regulation. So the question arises, why is the Indian state producing contradictory economic policies? What do these contradictions inform us about the nature of the Indian state? These questions are answered in the concluding discussion of the Indian State.

Concluding Discussion on the Indian State

During the last three decades, and starting well before neoliberalization of the economy, India experienced spectacular macroeconomic growth rates (Ahmed 2009). It is important to point out that India's rapid economic growth started a decade before implementation of the new economic policy, or neoliberalism, because liberal commentators like Thomas Friedman (2000), and academics like Jeffry Sachs (2005), have been crediting free market capitalism for India's economic "success", which is pure fantasy when scrutinized against long-term economic growth data. Yet, large social segments and geographical groups continue to be excluded from the benefits of economic growth and development. And the inability of India's new economic policy to address issues of inequality has been the main failure of the current developmental model. Uneven development, intrinsic to capitalism, and exacerbated by neoliberalism, was quite stark in India during the 1990s—some of India's most populous and low-income states like Uttar Pradesh, Madhya Pradesh, Bihar, Orissa and Assam experienced deceleration in growth rates through the 1990s. Additionally, rural–urban inequalities at the all-India level continue to grow (Deaton and Dreze 2002).

Neoliberalization of the Indian economy and the Indian state's reduced support to, and focus on, agriculture, with massive declines in public investments, has pushed Indian agricultural productivity into a crisis. Post the 1960s, in the aftermath of the state-supported green revolution, agricultural growth rates in India outperformed population growth rates. But in the 1990s, even with declining population growth rates, food grain production grew slower than population. Per capita food grain production and availability, thus, have fallen below their 1960 levels (Shah 2007).

India's new economic policy has also been detrimental for tribal groups (henceforth referred to as *adivasis*). *Adivasis* are often entrapped in feudal and exploitative social relations with the rural (non-*adivasi)* elites. Decline in public investments in rural India and social and land reforms in the context of the new economic policy have been detrimental to the interests of the *adivasis*. According to a study conducted by Sundaram and Tendulkar (2003), the *adivasis*, through the 1990s, showed an actual rise in the poverty ratio. According to National Sample Survey data, one in two *adivasis* continue to live below the "official" poverty line.

So where do the policies examined earlier fit in? Are they benevolent acts of a "neutral" or "external" state? Since we understand the state as intrinsic to social relations, and internal to the mode of production and social contradictions, we propose that the examined policies be seen as outcomes of neoliberal contradictions in India. Even as social and rural–urban inequalities have grown, agricultural growth rates have declined and *adivasis* continue to be entrapped in poverty. Privatization and marketization of public assets, for example energy infrastructure and natural resources, and agricultural inputs, for example seeds and fertilizers, also continue. India has become a haven for international capital in services such as telecommunications, information processing, software design and several others. Despite opposition from small-scale retailers and non-governmental organizations, Walmart and similar retail giants have arrived in India, ready to put small-scale retailers out of business. According to *Forbes* magazine, India had 61 billionaires in 2012 as opposed to 5 in 2002. Even as accumulation has continued unabated amongst the global and national elites and selected geographical groups, rural and *adivasi* India has experienced the rise of armed Maoist rebellions against the feudal social structure and exploitation, and an apathetic neoliberal state (Navlakha 2010; Das 2009). Farmers, lured by the promises of quick returns from the use of seeds, fertilizers and technology sold by corporations such as Monsanto, and entrapped by debt under a neoliberal agricultural structure, have been committing suicide on account of crop failure and sheer despair in many parts of the country (Jeromi 2007; Mohanty 2013). And it is in the context of these socio-spatial contradictions that we see the impact of neoliberalism being cushioned, as in the case of the food security legislation that parallels the shrinking and dismantling of the PDS. Similarly, the MGNREGS, clearly an entitlement program or a welfare measure, attempt to cushion the impact of neoliberalism in rural and *adivasi* areas. In the absence of such policies that act as pressure valves, the Indian state would become dysfunctional or unviable. Those pushed to the peripheries and left optionless on account of neoliberal policies, through different forms of struggles (including democratic, violent and non-violent means), challenge class and caste power and jeopardize the neoliberal economic regime of accumulation, and in turn the Indian state. And the neoliberal Indian state cannot allow the peripheralized simply to perish—what makes India an attractive destination for capital is its significantly large subaltern population that can be exploited in multiple forms to intensify and expand accumulation. Thus the subaltern, even under the context of neoliberal exploitation, has to be sustained to deepen capitalism.

Additionally, neoliberalization is a process still incomplete and highly contested, despite asymmetrical power relations and less than satisfactory outcomes from the point of view of the subalterns. Social contestation, intrinsic to neoliberalization, in a multi-party democracy like India, also manifests in the form of electoral politics. India's MGNREGS is a product of civil society demands, social movements and pre-election promises made by the Congress Party. Employment guarantee as a political agenda allowed the Congress Party to win the elections at the federal level in 2004 (Khera 2011a). Similarly, the currently debated Food Security Bill 2013 was expected to galvanize rural voters in favour of the Congress Party in the 2014 general elections. We see similar tendencies in policy articulations, as a product of exploitative social relations, in the USA as well. Health care reform was one of the main planks based on which Barak Obama won the presidential elections in 2008. His proposed reform was a product of the aspiration of millions of Americans who were fed up with the ways of the privatized and corporatized health care system. Those most actively advocating health care reform were pointing towards Canada and Western European countries' state run health care systems. In the post-poll scenario, however, health care reform was watered down as privatization was deepened and peoples' aspirations were circumvented by the power and hegemony of opinion polls manufactured by the corporate controlled American media. In other words, exploitive conditions that give rise to social contradictions and contestations make electoral democracy a hurdle for the ruling class, and more so for the ruling political coalition/party. After all, it is only common sense that ruling elites that neglect the interest of the working class, the subaltern, who constitute the numerical majority, would be voted out of power. Thus electoral politics create political compulsions where capital-labour dialectics are contextually and temporarily resolved/synthesized in the form of policies to give a new lease of life to the accumulation process—this is what allows the ruling class to secure their position and remain in power.

Efforts to soften the impact of shrinking PDS and marketization of food subsidies through the CT system by propping up the food security legislation, and guaranteeing work, and in turn income opportunity, through MGNREGS, conform to neo-Ricardian explanations of state intervention as well. Continuing unrest in the form of armed Communist/Maoist rebellion in different parts of rural India, which Prime Minister Manmohan Singh has described as the "single biggest threat to India's security" has the potential of jeopardizing capital accumulation. Disenchantment with the current government could force the general population to look for alternatives through electoral realliances, which could counter neoliberalism. Thus, the policies discussed earlier can be understood as strategic compromises on the part of capital, simply to maintain the dynamism of capital accumulation. But even as we "appreciate" the flexibility and dynamism of capital, we want to point out that this is not a structural functional explanation of a capitalist state. Modes of production and social relations are inherently dialectical and incorporate contradictions that have the potential for producing ruptures and fundamental/revolutionary changes that can transform the very nature of capitalism (for example, from neoliberalism to welfare or Keynesian capitalism) or an economic system. But India's food security legislation and MGNREGS are not economic-regime-altering policy interventions, and neither is the USA's health care reform.

Individuals elected to state legislatures and the Parliament and bureaucrats and technocrats qualified/selected to make polices and run the country come from diverse socio-economic backgrounds. And though we find tremendous merit in Miliband's (1968) analysis of the process of socialization of those in "government" into the ideology of the ruling class, we also want to recognize that this internal diversity within the "government" makes governance a contested phenomenon. Since the state is internal to the mode of production and social relations, it is only natural that the social contradictions and contestations manifest in governance. Thus, the fact that currently 131 parliamentarians out of a total of 543 are themselves from out caste or *adivasi* backgrounds, plus a significant number are religious minorities, women, or from the backward castes, adds to the diversity within the state and makes the production of policies contested. Hence, policies related to guaranteeing work and income, and food security can also be attributed to diversity in state-society. And even as we recognize the power of diversity and social contestations in governance, we must add that a capitalist society has supporting institutional frameworks and structures to ensure the primacy of capital and reproduction of profits. Thus diversity and contestation in governance, just as in the society as a whole, is limited by the institutional framework of private property rights, and socio-political structures that ensure profits, exploitation of workers and several other things. In other words, contestations within state-society that can dismantle the institutional frameworks, which protect private property, profits and exploitation, will produce a transformed or non-capitalist society.

To conclude, neoliberalism has widened social cleavages, intensified exploitation, and given rise to greater and newer social contradictions. These social contradictions are reproduced in the form of contradictions within the state as well. The neoliberal state, hence, in its effort to manage emerging contradictions, stem revolutionary tendencies, and ensure capital accumulation, is making strategic policy compromises in ways that will not challenge the general nature of neoliberal accumulation.

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18

BRICS Within Critical International Political Economy

Patrick Bond

Is there a coherent theoretical approach capable of incorporating into contemporary political economy the BRICS (Brazil, Russia, India, China, South Africa) countries' alliance? A more explicitly theoretical strategy is needed to contend with two kinds of normativities associated with the new industry of BRICS "think tank" cooperation, donor interest and researcher opportunism on the one hand, and on the other with romanticism displayed by radical Third Worldist analysts. The pages below argue for an interpretation of BRICS not typically comprehensible within the mainstream of analysis: "subimperialism", based on locating the BRICS within global uneven and combined development.

Mainstream international relations (IR) and diplomacy scholars find it soothing to deploy the concept of "middle powers" (e.g. Bischoff 2003; Cooper 1997; Schoeman 2000). Applied to "emerging powers" (Cooper 2014; Hurrell 2006; Jordaan 2003) there are traits that hint at potential differences from the way countries such as Canada and Australia fit snugly within a status quo global power structure. South Africa is a particularly vibrant site of study, as increasing concern about the country's "talk left walk right" (Bond 2006) foreign policy has compelled conventional analysts to offer arguments about the leadership's reasonable ambitions to reform global institutions such as the International Monetary Fund (IMF)(Alexandroff 2015; Qobo and Dube 2015).

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In contrast, within the international political economy (IPE) tradition, there are both popular and academic reports on how the BRICS are becoming counter-hegemons, offering an alternative to the Washington Consensus (Desai 2013; Bello 2014; Campbell 2014; Weisbrot 2014; Whitney 2015). That alternative allegedly comes from "ever-widening policy space created by the growing weight of the BRICS in the global economy", as Cornel Ban and Mark Blyth (2013) put it, because the BRICS "autonomy relative to the coercive apparatus of the International Financial Institutions has enabled more state-led development interventions than would have been the case otherwise". South-South Cooperation in the form of new financial institutions and a wide variety of other collaborate BRICS interventions are considered.

The danger of framing BRICS in these ways, as Susan Strange (1982, 479) explained in one of the original critiques of IR, is the construction of a potential new "emerging powers" regime contesting world power, even if it:

> …is, for the most part a fad, one of those shifts of fashion not too difficult to explain as a temporary reaction to events in the real world but in itself making little in the way of a long-term contribution to knowledge. Second, it is imprecise and woolly. Third, it is value-biased, as dangerous as loaded dice. Fourth, it distorts by overemphasizing the static and underemphasizing the dynamic element of change in world politics. And fifth, it is narrow minded, rooted in a state-centric paradigm that limits vision of a wider reality.

In contrast, a more critical perspective on IPE should locate the BRICS within world capitalism's tendencies towards uneven and combined development. The amplification of unevenness that has made the BRICS so prominent became most obvious in the period since the 2008 meltdown, but these economies should be understood as reflecting the uneven development of global capital within an overall crisis of overaccumulation beginning in the late 1960s. Initially this meant that the corporate search for higher profits deindustrialized large parts of the advanced capitalist countries, while finance became a much greater source of revenue for the major industrial firms. Geographically, that meant manufacturing production became footloose during the 1960s, moving from the USA and Europe to Japan (then an inexpensive cog in the world production system), then to the newly industrializing countries and Mexican *maquiladores* in the 1970s, and then from the 1980s, to the east coast of China and other inexpensive production locations in East Asia. Within this movement of capital, the "combined" nature of capital and non-capitalist relations served accumulation, especially in its externalization of all manner of social reproduction and environmental costs. However, it is not merely the siting of new capital fixed investment but the geopolitical importance of the BRICS, especially in combination, that allows us to bring the five countries' alliance into focus within a theory of imperialism.

In defining imperialism just over a century ago, Rosa Luxemburg ([1913] 1968, 397) considered how capitalist crisis "spurs capital on to a continual extension of the market", today called "globalization". Her core insight—as distinct from those of Lenin, Bukharin, Hilferding, Hobson, and others of her era—was that "capital cannot accumulate without the aid of non-capitalist" relations and "only the continuous and progressive disintegration of non-capitalist organization makes accumulation of capital possible". Evidence from South Africa, Namibia and the Democratic Republic of the Congo proved exceptionally helpful (see Bond et al. 2007) as she argued:

> Non-capitalist relations provide a fertile soil for capitalism; more strictly: capital feeds on the ruins of such relations, and although this non-capitalist milieu is indispensable for accumulation, the latter proceeds at the cost of this medium nevertheless, by eating it up. Historically, the accumulation of capital is a kind of metabolism between capitalist economy and those pre-capitalist methods of production without which it cannot go on and which, in this light, it corrodes and assimilates. (Luxemburg 1968, 397)

After the era of colonial power relations that facilitated this relationship, amplified in South Africa by apartheid (Wolpe 1980), a new set of multilateral and interstate relations emerged for what were considered more efficient and legitimate modes of imperial accumulation, especially through the Bretton Woods Institutions. A half century ago, the concept of subimperialism allowed Ruy Mauro Marini (1965, 22) to explain the Brazilian case in these terms: "It is not a question of passively accepting North American power (although the actual correlation of forces often leads to that result), but rather of collaborating actively with imperialist expansion, assuming in this expansion the position of a key nation".

In the last decade, the renewal of this process—crisis, extension of the market, amplified super-exploitative relations between capitalist and non-capitalist spheres, worsening inequality, financialized economies and geopolitical rearrangements requiring collaboration with emerging powers—requires an understanding of a "new imperialism". Here, David Harvey (2003, 185–186) adds the layer later to be termed the BRICS:

> The opening up of global markets in both commodities and capital created openings for other states to insert themselves into the global economy, first as

> absorbers but then as producers of surplus capitals. They then became competitors on the world stage. What might be called "subimperialisms" arose… Each developing center of capital accumulation sought out systematic spatio-temporal fixes for its own surplus capital by defining territorial spheres of influence.

Such surplus capital needs outlets. By mid-2015, with a half-trillion dollars departing China over the prior 15 months notwithstanding firm exchange controls, the BRICS overall capital outflows had become exceptional. Within Africa, South Africa's interests are defining the sub-continent ("Sub-Saharan Africa") as the territorial sphere of influence into which channel its flows. Projects such as the 2001 New Partnership for Africa's Development and 2005 African Peer Review Mechanism reflected an earlier dedication to this effort (Bond 2005, 2009). But they suffered such huge contradictions and setbacks that today, much more explicit financial channels are needed to direct the surpluses into potentially profitable long-term outlets, including the 2012 Programme for Infrastructure Development in Africa (PIDA). The PIDA energy routes are especially revealing, in tracing how closely African neocolonialism's accumulation agenda resembles colonialism's. To ensure that commodities move from plantation or mine to smelter to port, PIDA offers roads, railroads and bridges and especially energy transmission infrastructure.

The amounts of funding being discussed in the African Union and United Nations are substantial, and include the US$100 billion Inga Hydropower Project on the Congo River which will, if all phases are complete, supply more than 42,000 MW of power (three times the capacity of China's Three Gorges dam). Mining and smelting are the logical beneficiaries, as is currently the case as a result of Inga's early stages under the Mobutu regime. This is only the largest mega-project in what PIDA anticipates could be US$93 billion worth of annual infrastructure investments.

To seed many of these projects, South Africa's Development Bank of Southern Africa (DBSA) was given an additional US$2 billion in capital in 2013–14 to enhance its cross-border expansion. The largest single infrastructure loan that the World Bank has ever made, for US$3.75 billion, went to South Africa's Eskom parastatal in several tranches starting in 2010, in order to pay for a 4,800 MW coal-fired power plant whose cost escalation raised consumer prices dramatically, in turn causing countless community riots. But meanwhile, due to apartheid-era sweetheart deals renewed after 1994, the world's largest mining house, BHP Billiton, continued to receive the world's cheapest electricity (US$0.01/kWh) from Eskom, a tenth what consumers paid (Bond 2014).

And yet even before the post-2008 commodities price crash—which began in 2011 and worsened dramatically in 2014—debt repayment terms and returns on investment in Africa were not sustainable. This was a function of volatile world markets, to be sure, but also a result of extreme overhyping of Africa's growth prospects. Those establishment voices promoting "Africa Rising" as a means of relegitimating the export-led primary-commodity economic model failed to consider that while incomes were rising in the range of 6% per annum, *so too was Africa's wealth decreasing by an equivalent amount* (as measured by the World Bank 2011) for a simple reason: GDP measures the extraction of non-renewable minerals as a credit and does not count "natural capital depletion" as a debit. By following the 2012 Gaborone Declaration (a natural capital accounting endorsement by ten African states, the World Bank and Conservation International), a more accurate recounting of Africa's economic well-being would reveal systemic, large-scale looting. In the bank's (2014, vi–vii) language, "aggregate gross savings and formation of human capital are not sufficient to compensate for depreciation of produced capital, depletion of natural capital and population growth. The result: the region is wealth depleting". Only 12% of sub-Saharan African countries surveyed were *not* losing net wealth, at a time they were meant to be "rising". The period of the 2002–08 commodity price super-cycle boom was only the most pronounced moment of natural capital depletion.

Meanwhile, another kind of looting—"illicit financial flows" from Africa—was confirmed at US$50 billion per annum minimum, using a very conservative methodology, by the High Level Panel on Illicit Financial Flows (2015). The Panel was commissioned in 2012 by the African Union and United Nations Economic Commission on Africa, and was led by former South African president Thabo Mbeki. There are numerous ways that transfer pricing, misinvoicing and other modes of corrupt repatriation of profits occur, many of which Mbeki decried. But these should not blind us to the "licit" financial flows—profits and dividends—due to Foreign Direct Investment (FDI). According to the South African Reserve Bank (2015, 39), the period of 2009–14 reflected dividend receipts only 20–50% as high as dividend outflows to transnational corporations operating in South Africa (The ratio for countries rich in corporate headquarters like the USA and the Netherlands was typically above 200% in the same period). The rest of the continent was far worse afflicted, since South African firms drew substantive profits from Africa as their main way of offsetting flows to the London, New York and Melbourne headquarters of the country's largest firms.

BRICS and the Subimperial Financial Stance

While outflows of capital from Africa—including the main economic powerhouses of South Africa, Nigeria and Egypt—grew worse since the commodity boom began in 2002, quite substantial countervailing flows of surplus capital were directed into Africa in search of both FDI and "portfolio" (financial sector) investments. These will soon be even more observable through an institutional arrangement not as excessively influenced by the West and its conditionalities. Starting in 2016, the BRICS bloc will be lending through both a BRICS New Development Bank (NDB) headquartered in Shanghai and a Contingent Reserve Arrangement (CRA) for liquidity. Both were capitalized at US$100 billion notionally, though the NDB has only US$10 billion in immediate capital injections (US$2 billion each) with the rest "callable", and the CRA simply moved forex (foreign exchange) reserves into a notional bailout fund. Deliberations on the institutions were highlights of the March 2012 New Delhi, 2013 Durban, 2014 Fortaleza and 2015 Ufa summits of BRICS leaders.

At those summits and in between at many Bretton Woods Institution annual meetings and G20 summits, BRICS finance ministers regularly expressed dissatisfaction with the IMF's governance, notwithstanding having collectively spent US$75 billion on the IMF's recapitalization in 2012. To the surprise and disappointment of many BRICS supporters, however, the CRA actually empowers the IMF because, if a member country is in need of more than 30% of its borrowing quota it must first go to the IMF for a structural adjustment loan and conditionality before accessing more from the CRA. For South Africa, whose foreign debt rose from around US$30 billion in 2003 to nearly US$150 billion a dozen years later—i.e., more than 40% of GDP, which puts it in the debt-crisis danger zone—this would mean that only US$3 billion is available from the CRA before recourse to the IMF would be necessary. In 1985, the last time this debt ratio was hit, the then leader of apartheid South Africa found it necessary to default on US$13 billion in short-term debt payments coming due, to close the stock exchange and to impose exchange controls.

Moreover, both the CRA and NDB are US dollar-denominated lenders, instead of establishing a fusion mechanism for their own monies: the real, ruble, rupee, renminbi and rand. As a result, it was not merely rhetoric for the Chinese *People's Daily* (2014) to observe at Fortaleza that the BRICS "are actually meeting Western demands" by arranging the NDB and CRA "to finance development of developing nations and stabilise the global financial market".

Such BRICS subservience would, remarked financier Ousmène Jacques Mandeng (2014) of Pramerica Investment Management in a *Financial Times* blog, "help overcome the main constraints of the global financial architecture. It may well be the piece missing to promote actual financial globalisation". As Brazil's Ministry of Finance reminded in July 2015, the CRA "will contribute to promoting international financial stability, as it will complement the current global network of financial protection. It will also reinforce the world's economic and financial agents' trust" (*BRICS Post* 2015). In September 2015, this was confirmed by the South African vice president, Leslie Maasdorp (2015):

> Some misconceptions have surfaced in public commentary about the bank. The first is that it was created as a rival to the World Bank and the IMF. As New Development Bank president KV Kamath has said, the objective is not to challenge or replace the existing system of development finance—it is to improve and complement the system. The purpose of the bank, as expressed in our articles, is to "mobilise resources for infrastructure and sustainable development projects in BRICS and other emerging economies, complementing the existing efforts of multilateral and regional development banks."

One of the CRA's objectives, according to South African Treasury officials, is to "complement existing international arrangements" (Republic of South Africa, Department of National Treasury 2012). Two earlier attempts along these lines involving China—the Chiang Mai Initiative and Asian Monetary Fund—were similarly accommodationist, notwithstanding the extreme anger in Asia in 1997–98 when they were first promoted by elites insulted by wholescale takeover of macroeconomic policy by IMF officials. And these were never deployed in any case.

Nevertheless, a great deal of the BRICS bloc's credibility amongst international political commentators rests upon aggressive rhetoric about potential global financial interventions. According to Horace Campbell (2014), "Ultimately, in the context of the present currency wars, the CRA will replace the IMF as the provider of resources for BRICS members and other poor societies when there are balance of payments difficulties". Mark Weisbrot (2014) argues that the CRA "has the potential to break the pattern not only of US-EU global dominance but also of the harmful conditions typically attached to balance of payments support". According to Walden Bello (2014), both the CRA and NDB "aim to break the global North's chokehold on finance and development". Radhika Desai (2013) argues, "The BRICS are building a challenge to Western economic supremacy". And after the Ufa summit, according to Mike

Whitney (2015) of *CounterPunch,* "The dollar is toast. The IMF is toast. The US debt market (US Treasuries) is toast… Ufa marks a fundamental change in thinking, a fundamental change in approach, and a fundamental change in strategic orientation".

In reality, not only does the CRA stipulate an IMF agreement once 30% of the quota is reached, but only the five CRA members (not other countries) get CRA access. Hence applause for the "alternative" BRICS financial initiatives came logically from both Jim Yong Kim at the World Bank and Christine Lagarde at the IMF. Likewise in 2015 more than 40 countries—including several from Europe including Britain—became founder-members of China's Asian Infrastructure Investment Bank, and it received endorsement from Kim (Reuters 2014), foiling Barack Obama's sabotage diplomacy.

In these respects, following Marini, the BRICS are "collaborating actively with imperialist expansion, assuming in this expansion the position of a key" bloc, whose own interests also rest in subimperialist stabilization of international financial power relations, for the advancement of their own regional domination strategies. If this were not the case, it would have been logical for the BRICS to instead have supported the Banco del Sur (Bank of the South). Founded by the late Venezuelan president Hugo Chavez in 2007 and supported by Argentina, Bolivia, Brazil, Ecuador, Paraguay and Uruguay, Banco del Sur already had US$7 billion in capital by 2013 (*Andes* 2013). It offered a more profound development finance challenge to the Washington Consensus, especially after Ecuadoran radical economists led by Pedro Paez improved the design. Instead, it was repeatedly sabotaged by more conservative Brazilian bureaucrats and likewise opposed by Pretoria, which refused to join it during the Mbeki era.

Yet flaws in the global financial architecture remain vividly apparent and another world financial crisis is looming given how much unjustified liquidity the USA, European Union and Japan have pumped into the world's banks, with so little new direct investment to show for it. The BRICS strategy—especially in relation to the expedited extraction of Africa's minerals, petroleum, gas, and cash crops—raises questions about how different its pro-corporate economic growth model will be, compared to the West's, and whether its role in world capitalism is limited to assimilation rather than what is needed: a rupture from existing orthodox models, such as a radically new approach to development finance. Nowhere is this more true than in Africa.

Indeed as a result of turbulence in financial markets in 2013 (affecting four out of five BRICS countries) and crashing mineral and oil prices from 2011 and especially 2014 (hurting especially Brazil, Russia and South Africa), not to mention the 2014–15 financial squeeze on Russia for geopolitical reasons, the risk of relying upon commodity export strategies was unveiled. The US$100 billion CRA would quickly be exhausted in the event of a more serious financial meltdown. Perhaps those sums can be increased in coming years, because at present they are incapable of warding off emerging-market financial melting of the sort witnessed since the mid-1990s, when numerous countries have needed a US$50 billion package overnight so as to halt financial disinvestment in the form of herd-instinct runs, including Russia's record mid-1998 US$57 billion bailout (Bond 2003).

The failure to fundamentally challenge global power is obvious not only in finance but more broadly in geopolitics. Aside from Putin's halting of the proposed US bombing of Syria at the September 2013 G20 meeting followed by his 2015 allocation of troops and air support to the Assad regime, his giving Edward Snowden safe haven, and the BRICS promotion of Russia's geostrategic interests in relation to Crimea and Ukraine, the strategies advocated by the five countries' leaders have so far had no discernible effect on the world's broader political, economic and ecological crises. Within the IMF, for example, Chinese voting power has risen substantially but left no genuine change in the institution's agenda. As for the World Bank, its presidency was taken by Obama's nominee Kim in 2012 without a united response from the BRICS nations (Fry 2012). The Brazilians nominated a progressive economist, Jose Antonio Ocampo; the South Africans nominated neoliberal Nigerian finance minister Ngozi Okonjo-Iweala; and the Russians supported Kim. As for China, the reward for not putting up a fight was getting leadership of the bank's International Finance Corporation for Jin-Yong Cai. An Indian, Kaushik Basu, was made World Bank chief economist. In the IMF, while China's voting share increased, Africa's decreased. Yet the increase has not permitted China or other BRICS any genuine leverage, for the US Republican Party in Congress consistently refuses to codify a full set of adjustments to power relations, leaving BRICS financial leaders furious but impotent. One danger of these financial relations is the BRICS role in renewed carbon market strategies to address climate change, an explicit case of subimperialism (Böhm et al. 2012).

The main evidence of economic continuities not change is China's ongoing financing of Washington's massive trade deficit by continuing to hold more than US$1.5 trillion of US Treasury bills. Indeed, at the very time the Fed's monetary policy signaling was helping to tear apart the BRICS grouping in mid-2013, China was increasing its T-bill holdings at a record rate. In the first half of 2015, there were a few indications of deleveraging based on the forced sales of US Treasury bills of about US$100 billion (out of US$3.7 trillion in Chinese foreign exchange reserves) (Durden 2015) as well as 600 tonnes of gold purchases over the course of a month. This was, though, a consequence of dramatic capital outflows, amounting to US$280 billion in the first half of 2015 and to US$520 billion going back a further three-quarters, which was partly responsible for China's US$3.5 trillion stock market crash in mid-2015. As the *ZeroHedge* blogger "Durden" (2015) remarked,

> A capital exodus of that pace and magnitude would suggest that something is very, very wrong with not only China's economy, but its capital markets, and last but not least, its capital controls, which prohibit any substantial outbound capital flight (at least for ordinary people)… China is *forced* to liquidate US Treasury paper even though it does not want to, merely to fund a capital outflow unlike anything it has seen in history.

Notwithstanding rhetoric about increasing use of BRICS currencies or barter trade, not much more is being done to end the destructive system in which the US dollar has world seigniorage—i.e., it is the world's reserve currency, no matter how badly Washington officials abuse that power. If China really wants the renminbi to one day take its place, the pace at which this is happening is agonizingly slow, with only a 2014 energy deal between Russia and China hinting at future post-dollar trade. Even if the renminbi is assimilated with the dollar, euro, yen and pound as an IMF-approved world currency, in the meantime, as the mid-2013 financial chaos showed, the other BRICS countries' economies paid the price.

The BRICS experiment will not stand or fall on narrow grounds of development finance. But the most critical aspects of the world economy operate through finance, for financiers still pull the strings in most national contexts, including in South Africa. Given the context of such extreme need for change, it is worth examining South Africa's particular stance, given its own record of having so dramatically moved from one kind of subimperialist power—a rogue regime hated by all civilized people—to another kind, one with enormous legitimacy in 1994. And the ordinary people and natural environment of the entire continent of Africa are the primary victims of the routing of development finance to the continent through South Africa.

Conclusion

Consider a warning offered by William Robinson (2015, 1) in *Third World Quarterly*:

> Global integration and transnational capitalist class formation have advanced significantly in the BRICS. BRICS protagonism is aimed less at challenging the prevailing international order than at opening up space in the global system for more extensive integration and a less asymmetric global capitalism… By misreading the BRICS, critical scholars and the global left run the risk of becoming cheerleaders for repressive states and transnational capitalists in the South. We would be better off by a denouement of the BRICS states and siding with "BRICS from below" struggles of popular and working class forces.

Given the NDB and CRA positioning and personnel discussed above, it is foolish and perhaps dangerous to invest hope in the BRICS "alternative" to Bretton Woods. A genuine replacement of imperialist finance would be based upon:

- The sort of default on unpayable, unjustifiable debt that Argentina managed to accomplish in 2002;
- Exchange controls that countries like Malaysia (in 1998) and Venezuela (in 2003) imposed on their elites (as did Greece in mid-2015);
- New regional currency arrangements such as Ecuador's proposed sucre;
- Solidarity financing for South governments resisting imperialism, as was cruelly suggested (by Russia's deputy finance minister) might be available to Greece in July 2015 but then never transpired; and
- Socially and ecologically conscious financing strategies, such as were once proposed and seed-funded by Chavez in the stillborn Bank of the South and in the trade-oriented Bolivarian Alliance for the Peoples of Our America (ALBA).

For the most part, the BRICS eschew these until it is too late, as witnessed in China's desperation regulation of its stock market in July 2015. The need for dramatic changes to global financial governance is more than obvious, yet the gumption to make these changes has not been generated from political movements either from above or below. From the vantage point of South Africa, one of the "fragile five" emerging markets that began suffering sharp currency crashes in mid-2013 as the US Federal Reserve's Quantitative Easing was tapered, the dangers of ongoing financial turbulence should be obvious. Yet in its 2015 world public-opinion survey, the Pew Research Center's Global Attitudes Project (2015) found that only one-third of South Africans identified 'economic instability' as a major threat, compared to 42 percent of those polled across the world (for whom it was a close second, after climate change at 46 percent) (Table 18.1).

Table 18.1 Priority given by polled population to global threats, 2015 (percentage) "very concerned"

	Brazil	Russia	India	China	South Africa	World
Climate change	75	22	73	19	47	46
Economic instability	60	43	49	16	33	42
ISIS	46	18	41	9	26	41
Iran's nuclear threat	49	15	28	8	25	31
Cyber attacks	47	14	45	12	28	30
Tensions with Russia	33	NA	30	9	18	24
China territory disputes	28	8	38	NA	22	18

Source: Pew Global Research (2015)

This ongoing ignorance is a shame, because since South African freedom was won in 1994, the rand has collapsed seven times by more than 15% within a few weeks (Bond 2014). The crash from 2011 to 2015 was more than half against the US dollar (The other laggard on public consciousness in 2015 was China, with only 16% of those polled ranking economic instability a major concern).

One result of the low level of public awareness and discussion is that ten positions have formed which appear to be solidifying, in terms of political standpoints to BRICS: three associated with BRICS elites; three with BRICS intellectuals; three "from below", as Robinson anticipates; and the loudest being BRICS critics from above.

Ten Ideological Standpoints in Relation to the BRICS

1. BRICS from above—heads of state, corporates and elite allies

1.1 BRICS as *anti*-imperialist: foreign ministry *rhetoric*—"Talk Left Walk Right"—based upon national-liberation traditions, with some concrete actions (such as opposition to Intellectual Property applied to medicines, especially for AIDS, safe haven for US spy whistle-blower Edward Snowden and hostility to the proposed US bombing of Syria in 2013)

1.2 BRICS as *sub*-imperialist: relegitimization of "globalization", lubricating neoliberalism in—and exploiting—BRICS hinterlands, intensifying structural exploitation of poor/workers/women/nature on behalf of global/local capital, ensuring maximum greenhouse gas emissions alongside BASIC/US no matter the local/continental/global consequences, and even sometimes playing a "deputy sheriff" role to world hegemons

1.3 BRICS as *inter*-imperialist: potential new internet delinked from the USA; promotion of Putin v Obama in September 2013 at G20; and backing Russia in Crimea/Ukraine conflict

2. BRICS from the middle—BRICS Academic Forum, intellectuals, trade unions, NGOs

2.1 *Pro-BRICS advocates*: most of Academic Forum, most establishment "think tanks", the "Civil BRICS" initiated by Russia, and others (including leftists) claiming BRICS will increasingly challenge global injustices

2.2 *Wait-and-see about BRICS:* most NGOs and their funders—as well as most "Third Worldist" intellectuals—who wish for BRICS to become "anti-impi" in the UN and Bretton Woods Institutions, using the New Development Bank and Contingent Reserve Arrangement, etc.

2.3 *Critics of BRICS:* those associated with BRICS-from-below networks who consider BRICS to be "sub-impis" and sometimes also "inter-impis"

3. BRICS from below—grassroots activists whose visions run local to global

3.1 *Localist:* stuck within local or sectoral silos, including myriad momentary "popcorn protests" (even some against BRICS corporations or projects) that are insurgent, unstrategic, at constant risk of becoming xenophobic, and prone to populist demagoguery

3.2 *Nationally bound:* most civil society activists who are vaguely aware of BRICS and are hostile to it, yet who are so bound up in national and sectoral battles—most of which counteract BRICS agenda—that they fail to link up even in areas that would serve their interests

3.3 *Solidaristic-internationalist:* "global justice movement" allies providing solidarity to allies across the BRICS when they are repressed and jointly campaigning for human and ecological rights against common BRICS enemies (such as Vale, the China Development Bank, DBSA, Transnet/mega-shipping, fossil fuel corporations and other polluters, and the coming BRICS Development Bank)

4. Pro-West business—most organic intellectuals of business connected to Old Money, multinational-corporate branch plants, northern-centric institutions and political parties, all increasingly worried that BRICS may act as a coherent anti-Western bloc some day (a phenomenon mainly evident in South Africa given its important unpatriotic bourgeoisie)

The co-optation problem is most interesting for critical IPE, especially given that the division between strands of BRICS-from-the-middle NGOs and intellectuals has grown more substantial. As noted at the outset, normally critical commentators (Bello, Campbell, Desai, Weisbrot and Whitney) endorsed the new BRICS financial institutions albeit without trying to confront the contradictions. In contrast, former South Centre director Yash Tandon (2014) did engage, alleging that "Bond and his colleagues are inventing a category that simply does not exist. It is a distraction from real issues of concern to progressive forces everywhere". (Slightly less critical is Bill Martin 2013.) Worse, according to Vladimir Shubin (2013), "The criticisms of BRICS from the left come from those who occupy a "perfectionist" stance. However it is naïve (at the best) to expect the very existence of BRICS to radically change the world".

There is similar angst about the critique of subimperialism within the collection of several dozen BRICS-from-the-middle NGOs and even BRICS-from-below social movements. After two counter-summits highly critical of BRICS were held by civil society groups in Durban (2013) and Fortaleza (2014), a Moscow "Civil-BRICS" (2015) conference was convened through official catalysts with the explicit aim of granting legitimacy to BRICS elites at the same time those same governments were clamping down on dissidents internally.

A genuine BRICS-from-below strategy is possible but not yet in place (Bond and Garcia 2015). One feature of BRICS subimperialism, as Sam Moyo and Paris Yeros (2015, 247) explain is that:

> whatever emergence occurred under monopoly capitalism, and its financial and technological domination, it could only be based on the super-exploitation of domestic labour (not the social pacts characterising the centres of imperialism). It was this internal relation that intensified external dependence, creating the need for export markets for semi-peripheral manufactures and exertion of regional political-military influence, so as to resolve its chronic profit realisation crisis.

As a result, argues Ray Kiely (2015, 1) in his assessment of BRICS, "Perhaps the most important development in the international order in recent years is actually the rise in global inequality". This, in turn, sets the stage for intensified social resistance. And because of the way that, as Luxemburg pointed out, capitalism needs to "eat up" pre-capitalist relations, such resistances will necessarily build on the myriad of anti-extractivist politics emerging across the BRICS hinterlands. To illustrate, in Africa, social protests recorded by Agence France-Presse (for the African Development Bank et al. 2015) have soared since 2010 and what might have been a 2011 blip was in fact succeeded in 2012 and 2013 by even higher levels, with a slight decline in 2014. The protests include a variety of socio-economic grievances but what may be of use in future is more attention to the ways that the combination of global capitalist crisis—especially fast-falling commodity prices—and bottom-up resistance make it less profitable for transnational corporations of whatever origin to operate on the continent (Bond and Garcia 2015).

With greater protest aimed at reasserting the primacy of poor and working people's needs, the BRICS project could indeed have much to recommend it. But the balance of forces would have to shift so dramatically, that the alternative strategies for financing spelled out above might see the light of day, for example. But such a shift is most unlikely if the governments of Dilma, Putin, Modi, Jinping and Zuma continue as seems likely for at least several years ahead, and if the BRICS corporations and financiers address their overaccumulation crises by exporting capital in much the same manner that imperialists have always done (since Luxemburg pointed out the relationship to imperialism a century ago). Under these circumstances, which appear definitive, then the BRICS will deserve to be considered a subimperialist bloc.

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19

East Central Europe in the European Union

Dorothee Bohle

Introduction

More than a decade ago, the European Union (EU) embarked on the most ambitious enlargement in its history. Since 2004, it has admitted 13 new EU member states, 11 of them from East Central Europe. EU accession held the promise of prosperity and democracy for a region which, located on Europe's periphery, has historically been plagued by poor living standards, political instability and different brands of authoritarian regimes. And indeed, while the road to the EU's eastern enlargement was anything but smooth, the benefits of membership have initially lived up to expectations. EU accession triggered a major inflow of foreign direct investment (FDI) and public funds, and after a decade of recession and crisis, growth took off in the region. While there were some worries about democratic "backsliding" in the immediate aftermath of accession, overall there was a sense that the East Central European countries had managed the "double transition" (Offe 1991) to capitalism and democracy quite well, not least due to the EU's accession conditionality and membership.

The financial crisis and its European manifestation have however hit the region hard. Several countries experienced double digit recessions, and recovery has been sluggish at best. A recent report of the European Bank

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for Reconstruction and Development sees the danger of a region "stuck in transition" (EBRD 2013), potentially unable to ever catch up with the west. Despite this, there is—with two notable exceptions, Hungery and Poland—surprisingly little contestation over European integration in the region.

How to explain the mixed fortunes of the new member states in the EU? What accounts for the short "golden age" of prosperity and relative political stability and why was it so short-lived? Mainstream explanations can at best give partial answers to these questions. Much of the literature takes the beneficial nature of EU membership for economic prosperity and political stability as granted, and sees the crisis and its fall-out in East Central Europe as an external shock. Consequently, the expectation is that the crisis will be overcome by adhering to the very same economic choices, institutions and policies on which the previous boom phase had relied.

This contribution, in contrast, argues from a critical political economy perspective that seeds of the bust were sown in the very capitalist regime that was also at the origin of the boom. Specifically, I will argue that the EU's accession policies prepared the ground for East Central Europe's successful but peripheral integration in two closely related core projects—the efficiency oriented restructuring of its manufacturing sector and the fostering of financial capitalism. This has not only laid the foundations for the period of rapid growth after accession, but has also made the region highly vulnerable to the crisis. Contestation of EU integration in the wake of the crisis has nevertheless been limited, as "Europeanization" has also prompted the integration of most East Central European societies in a transnational neoliberal historical bloc.

The paper will proceed as follows. The next section will briefly describe the "golden age" and the ensuing crisis that the East Central European countries' states have undergone since their accession to the EU, and argue that mainstream approaches are not well equipped to explore the systematic link between growth and vulnerabilities. It will also introduce the critical political economy framework I build on in my analysis. The third section briefly introduces two closely related core projects of European integration—efficiency based industrial restructuring and finance-led accumulation, and discusses how they have unevenly spread across the old EU. The fourth section analyses how East Central Europe has been integrated into these projects and looks at the societal consequences of transnational integration. The final section concludes.

East Central Europe in the EU: The Golden Age and the Great Recession

From Boom to Bust

East Central Europe's path towards EU accession was anything but smooth. Eastern enlargement has been highly contested because of the large number of countries seeking EU entry, their socialist legacies, and their comparatively poor and backward, yet potentially competitive economies, and their unconsolidated political systems. Core EU actors perceived these countries as threats to their established economic and social compacts. Consequently, they sought to "attenuate, weaken and manage" the threat potential (Jacoby 2014: 10) by setting a hitherto unprecedented amount of requirements to the new entrants. Compliance with the EU's requirements was assured through accession conditionality, painstaking monitoring of the applicant's progress, as well as measures that aimed at the socialization of the new members into the EU. At the same time, the EU has been very concerned with limiting potentially detrimental effects of enlargement to the old member states (Grabbe 2006; Schimmelfennig and Sedelmeier 2004; Bohle 2006).

Despite the harsh terms of eastern enlargement, things started to work out strongly in favour of the new member states from the turn of the millennium onwards. After a decade of crisis and uncertain recovery, East Central Europe started to experience high growth rates, brought about by high rates of capital inflow, which began to accumulate heavily from 2000 on (Bandelj 2008; Medve-Bálint 2014). FDI was not limited to the manufacturing sector. In fact, the bulk of it went to the service sector. Massive private capital inflow was complemented by public funds. From 2007 onwards, the new members became fully integrated in the EU's cohesion policy budget, and consequently turned into major beneficiaries of EU funds, partly at the expense of older peripheral member states (Medve-Bálint 2014).

The "golden age of membership" however lasted only for few years. During their short boom period, these countries had accumulated extraordinary vulnerabilities, as manifested in gaping current account deficits. From 2008 on, most of East Central Europe entered deep recessions, and while recovery has started, current growth rates are well below those of the golden age. Three countries—Latvia, Hungary and Romania—were forced to ask for emergency loans, a request that was dealt with by joint lending of the International Monetary Fund (IMF) and the EU. The rescue packages were conditional upon drastic austerity measures (Lütz and Kranke 2013). Indeed, the "Troika" crisis management had its origin in East Central Europe, before being exported to the southern European periphery. But also in those countries that were less affected by the crisis or had comparatively low debt, like Poland and the Czech Republic, political elites enacted harsh austerity measures. Indeed, it is remarkable that—with the exception of Hungary, and more recently Poland where policymakers have engaged in a strategy of "financial nationalism" (Johnson and Barnes 2015) with the aim of pushing back the boundaries of transnational integration—political elites in the new member states have embraced orthodox economic strategies in the aftermath of the crisis, and societies have by and large accepted that choice.

How to explain the mixed fortunes of the new member states in the EU? Why and how has EU accession ushered in a phase of prosperity, and why was it so short-lived? Why have eastern European societies been so patient with austerity? Mainstream approaches in enlargement studies can only partially account for these developments. Most importantly, whether they come in a constructivist or rationalist mould, this literature converges on the assumption that enlargement is hugely beneficial for the new member states, as it gives access to major markets and to FDI, achieves stabilization of the new democracies, and the strengthening of their administrative capacities. It also shares an overall normative understanding that complying with the EU's core economic and political principles ensures economic prosperity and political stability in the new member states (e.g. Vachudova 2005; Schimmelfennig and Sedelmeier 2005; Bruszt and Vukov 2014). This literature has much less to say about why the golden age, when East Central European countries could finally reap full advantages of their membership, would not last, nor why these countries had accumulated such extraordinary vulnerabilities. Interestingly, there was remarkably little soul searching of the Europeanization and enlargement literature on what could have possibly gone wrong. To be sure, the depth of the crisis and some political "backsliding" has not gone unnoticed (e.g. Jacoby 2014; Epstein 2014; Sedelmeier 2014). Overall, however, given its main assumption that EU membership would be hugely beneficial for new member states, most enlargement literature has been blind to the precarious economic and political situation of the new members and their vulnerability to the crisis. Among those authors who took pains to understanding the vulnerabilities, there is little attempt at developing a systematic understanding about the nature of the enlargement project and its internal contradictions and crisis proneness. Rather, the crisis is seen as an external shock that hit the region surprisingly hard. Consequently, the expectation—especially widespread among economists (e.g. EBRD 2013; Aslund 2010)—is that the previous growth path will be restored by adhering to the very same economic choices, institutions and policies on which the previous boom phase had relied.

Explaining the Boom and the Bust: A Critical Political Economy Framework

This contribution seeks to advance an alternative understanding of East Central Europe's golden age and great recession in the EU by linking both phases to its successful but peripheral integration in two closely related core EU projects—the efficiency oriented restructuring of its manufacturing sector and the fostering of financial capitalism. Ultimately, the aim is to advance a critical understanding of the core-periphery relations between eastern and western Europe, based on a framework combining regulation theory and neo-Gramscian approaches.

Two sets of issues make regulation theory a good starting point for a critical analysis of the enlargement-related boom and bust cycle in East Central Europe. First, born amidst the crisis of Fordism, the understanding of both *reproduction and crises* in capitalism has been at the core of regulation theory. Capitalism is seen as inherently instable and crisis prone, "because of the constitutive properties in the power relations between the factors of production of capital and labor" (Ryner 2012: 663). In order to understand both, reproduction and crisis of inherently contradictory social relations in capitalism, regulation theory has focused on particular institutional configurations that shape the historically specific ways in which contradictions are "normalized" for some time. Thus, phases of capitalism are characterized by distinct *regimes of accumulation*, featuring regularities in patterns of accumulation and consumption. *Modes of regulation* are a set of institutional structures that condense social power relations and compromises and stabilize regimes of accumulation. The most important institutional structures are the wage relation, the monetary form, state intervention and the insertion into the international economy. Crises can occur either as a result of regimes of accumulations reaching their limits, or modes of regulation being unable to stabilize the regime of accumulation. Crises in turn open up new possibilities for forging compromises and putting the economy back on growth paths (Aglietta 2000; Lipietz 1992; Jessop and Sum 2006).

The second issue that makes regulation theory a fruitful point of departure for a critical analysis of East Central Europe's development after enlargement is the identification of a new, *finance-led accumulation regime*, which has replaced the Fordist accumulation regime of the post-war period (Boyer 2000; Stockhammer 2008). While during the Fordist regime of accumulation, the wage compromise occupied a central place, now the financial system is at the apex of the mode of regulation. Finance penetrates all forms of social reproduction: shareholder value forces firms to increase the rate of return and recalibrates the capital-labour compromise. Accordingly, the wage share declines, due to competitive pressure on wages and to the rise of flexible work, part-time contracts, etc. Labour, in turn gets incorporated into the new accumulation regime as indebted consumer and home owner rather than worker. Finance-led accumulation also links the welfare state to financial markets. On the one hand, public budgets are increasingly dependent on interest rates, and financial markets "attach great importance to the restraint of public borrowing" (Boyer 2000: 120). On the other hand, under fiscal pressure, states start to privatize major pillars of social insurance and turn them into financial market actors. Finally, monetary policy acquires a new role. Next to inflation targeting, monetary policy should now also "guide the development of financial markets in the best possible way" (Boyer 2000: 120). The current crisis then is the crisis of finance-led accumulation.

While these are good starting points for my inquiry, regulation theory also falls short on two dimensions. First, it tends to focus on national comparative analysis and treats the international economy as largely external. For this reason, regulation theory struggles to fully grasp the international and transnational dynamics of capitalist development which clearly have gained in prominence in recent decades, and are crucial for understanding the European constellation (e.g. Bieling 2014). Second, although regulation theory focuses on the contradictions and conflicts stemming from capitalism as a set of social relations, it is often not very explicit about the political struggles that stem from this. In order to overcome these two shortcomings, insights of neo-Gramscian approaches in international Political economy (IPE) prove helpful.

For neo-Gramscian analysis, the capitalist order is constituted and uphold by inter or transnational *hegemony*, rather than by discrete national models. Thus Robert Cox (1981, 1983), one of the "founding fathers" of neo-Gramscian analysis famously took as the main *problematique* the changing nature of global hegemony, and introduced a sophisticated historical and social theory of international hegemony.[1] According to Cox, international hegemony has to be analyzed on several interlinked levels. The first fundamental level is that of the material sphere of production, a concept very compatible with the regulationist concept of regime of accumulation in that it is understood in an encompassing sense as including production of physical

[1] Neo-Gramscian IPE, similar to regulation theory, is not a coherent theoretical approach, but combines different strands of thoughts. As these approaches are treated elsewhere in the volume in depth (Chap. 9 by van Apeldoorn), I will only briefly introduce the major concepts on which I draw for my empirical analysis.

goods as well as social relations (Cox 1987: 39). Different modes of production give rise to different constellations of social forces. The latter are of crucial importance for neo-Gramscian analysis of hegemony, as social forces constitute the power base within and across states. States form an institutionalized arena of class struggles and compromises. Crucial for the relative stability of a certain configuration of class rule that underlies state power is the creation of a *historical bloc*. A historical bloc refers to the way in which a leading class builds "organic" alliances with subordinated classes (Cox 1983: 169).

A number of authors have in recent years drawn on regulation theory and neo-Gramscian IPE to analyze the neoliberal transformation of European integration. In the following section, I will shortly summarize their findings before detailing how eastern Europe was incorporated into the major integration projects.

Neoliberal Restructuring and Finance-Led Accumulation in the EU

Any analysis of the instabilities of East Central European capitalism has to start from its embeddedness into the broader European integration process. With its neoliberal turn from the 1980s onwards, the EU has acquired the capacity to transform entire societies. Put briefly, this is because the market-making and deregulatory agenda has disrupted the delicate balance between positive and negative integration (Scharpf 1999) which had previously allowed the coexistence between distinct national models of capitalism and European integration. Instead, deregulation, increasing competition, and the expansion of legal constraints stemming from the direct effect and supremacy of European law (ibid.) all conspire to profoundly restructure and transnationally integrate European capitalism. A regulationist/neo-Gramscian analysis draws attention to the dominant accumulation regime, and the social and politico-ideological relations that have brought about these changes and have shifted hegemony in the EU towards its new form.

European Initiatives Towards Finance-Led Accumulation

Two distinct, but closely related projects aiming at the renewal of the European economy can be distinguished. At the core of the first project, initiated by the European Single Act (ESA), stood the restoration of Europe's global industrial competitiveness via transnational mergers and acquisitions, the deregulation of infrastructural sectors such as telecommunication, transport and banking, and the flexibilization of labour markets. The European Monetary Union (EMU), albeit designed for more ambitious purposes (e.g. Cafruny and Ryner 2007), contributed via its disciplinary character (Gill 1998) to restoring industrial competitiveness. The convergence criteria of Maastricht and the stability and growth pact imposed welfare state retrenchment and wage restraint on those member states that sought to qualify for EMU. National social pacts and competitive corporatism were the main tools to achieve compliance with the convergence criteria (Hancké and Rhodes 2005).

From the 2000s onwards, the competitiveness agenda was being increasingly enhanced by measures to promote financial market integration (Bieling 2014). A series of action plans, most importantly on financial services, were at the core of the Lisbon strategy, which supposedly was to make Europe "the most competitive and dynamic knowledge-based economy in the world" (European Council 2000). Finance had already started to play a more important role in the European economy from the 1970s onwards. EMU moreover triggered a fuller integration of capital markets. With the Financial Service Action Plan (FSAP), placed on the European Agenda at the Cardiff Summit in 1998, the vision of a finance-led European economy was clearly spelled out. The action plan had three strategic objectives: "establishing a single market in wholesale financial services, making retail markets open and secure and strengthening the rules on prudential supervision" (EU Commission 1999). According to Bieling (2003: 212 see also Bieeing 2013), "[t]he rationale behind the proposal was very clear: integrated capital markets would enhance pressures for a market- and competition-oriented modernization of the whole mode of capitalist reproduction, i.e. of national investment systems, of given structures of corporate governance, of industrial relations, and of social security provisions, particularly pensions".

As neo-Gramscian analysis has never tired of pointing out, the restructuring of the European economy towards neoliberal finance-led accumulation has been pushed and supported by a truly *transnational historical bloc*. A major forum of the bloc's leading group—transnational capital—is the European Roundtable of Industrialists (ERT), founded in 1983 (van Apeldoorn 2000). In 2001 the foundation of the European Roundtable of Finance (ERF), closely modelled after the ERT, followed—interestingly at the initiative of the same Pehr Gyllenhammar who also founded the ERT (Bieling 2003: 223). Neo-Gramscian analysis has pointed to the fact that major policy initiatives of the European Commission since the ESA has often closely followed the recommendations of these spearhead organizations of transnational capital (van Apeldoorn 2000; Holman and van der Pijl 2003; Bieling 2003). While “[t]he European policy agenda—and the networks of communication which surround it—has clearly been remodeled in favor of transnational finance and its European associations” (Bieling 2003: 215), these actors could count on a broad support, including nationally based export-oriented capital and not only conservative but crucially also “third way” social democratic political forces (e.g. Höpner 2007). At the same time, forces of labour have become increasingly fragmented, with cleavages between export-oriented and sheltered sector workers (Bieler 2002), and a growing individualization and incorporation into finance-led accumulation as savers, homeowners, consumers and investors, rather than workers (Langley 2009).

The major integration initiatives were also instrumental in restructuring the relations between the European and national institutions. Partly through directly taking over and “Europeanizing” certain state functions (e.g. monetary policy), and partly through reshaping significantly the framework in which nation states operate, EU integration has developed into the interface that enhances regime competition between different national systems of governance. The bulk of the adaptation process to this new competitive environment rests upon the nation state and national institutions (Ziltener 2000: 88–96). In this context, European states have transformed in three ways: first, there is a shift from the interventionist to regulatory functions of the state, which foster limited government concerned with administrative and economic efficiency (Majone 1997). Second, state policies are often geared towards fostering international competitiveness and mobilize their societies accordingly (Jessop 2002). Third, there is a shift towards what Wolfgang Streeck (2015) has recently called a “consolidation state”, which aims at instilling confidence into financial markets and decreasing public debt through expenditure cuts.

Diverse National Manifestations

Although major initiatives towards restructuring the European mode of production have thus to be situated at the European level, and were pushed strongly by transnational social forces, they have spread unevenly across the EU. To put it differently, the rise of finance-led accumulation on the transnational level has produced variegated growth models on the national level.[2] Research in the post-Keynesian and regulation theoretical tradition point to at least three accumulation models in the “old” EU, which—at least partly—complement each other (see, also for the following, Stockhammer et al. 2015; Becker

[2] For the concept of variegated capitalism, see e.g. Jessop 2014.

and Jäger 2012). The first one is a *northern export-led regime*. While in this regime finance has assumed an increasingly important role due to a number of policy initiatives on the national and supranational level, the impact was most severe on corporations whose shareholder value orientation has increased significantly. By contrast, financialization has only made modest inroads in the welfare state and has crucially not been extended to consumption patterns. In this regime, labour had to bear the brunt of the costs of financialization. It has to accept severe wage restraint, increasingly flexible labour markets, and core groups of labour consent into the creation of dual labour markets and welfare regimes (Palier and Thelen 2010). Growth in this regime is sluggish at best. At its core is still the efficiency oriented restructuring of the manufacturing sector, triggered by the increasing shareholder value orientation and quest for high stock prices. The latter endangers the profit-investment nexus, and the decreasing wage share of labour leads to insufficient domestic demand. The lack of domestic demand is thus compensated for by exports. The archetypical example for this model is Germany, and other Nordic countries share some, although not all of its features (e.g. Treeck 2009).

A second regime is the *southern debt-driven* one. Here, the integration and deregulation of financial markets and low interest rates have facilitated high credit growth. Importantly, it was not corporate but household and/or public debt that fuelled growth. Easy access to credit has led to a domestic consumption boom based on the construction sector, house price increases and the rapid rise of mortgage debt. Colin Hay et al. (2008) coined the term "house-price Keynesianism" for this growth model. Importantly, the accumulation of debt has not come at the expense of wage increases or welfare state expansion. Indeed in a number of countries where house-price Keynesianism was at work, wages increased, and the welfare states expanded (Stockhammer et al. 2015). As a consequence, these countries lost their competitiveness. This model has been most prominent in Spain and Ireland (Hay et al. 2008; Dellepiane et al. 2013).

There are three major issues that set the southern debt-driven regime apart from the *Anglo-Saxon debt-driven* regime. First, in the Anglo-Saxon model, financialization has deeply penetrated all spheres of social reproduction: corporations, welfare states, and households. Shareholder values and private pensions are the norm, and these are complemented by high homeownership rates and liquid housing finance markets (Kemeny 2005; Schwartz and Seebrode 2009). Second, rising household debt *compensates* for stagnating real wages, and is as much driven by as a driver of inequality. Third, an important growth impulse has also resulted from what is called "financial inclusion", that is the extension of private credit to large parts of the population outside or at the fringe of labour markets—students, unemployed, the working poor etc.

(Soederberg 2014). The prominent example of this accumulation model is of course the USA, and recent research has shown how housing finance underpins the US global hegemonic position (Schwartz 2009). Hence, it is not by chance that the global financial crisis, which started as a subprime mortgage crisis in the USA has had important ramifications in Europe, as the circuits of Europe's financialized capitalisms were meshed with US housing finance and its locomotive effect (ibid., Cafruny and Schwartz 2013). In Europe, it is Great Britain which epitomizes this accumulation model.

Post-Keynesian and regulation theoretical analysis is not only interested in identifying the discrete national regimes, but an important hypothesis is that they complement each other. This is most obvious in respect to the complementarity forged by EMU between the export-led and the southern debt-led growth model, where the South serves both as a market for northern exports and as a credit taker which allows the North to recycle its export surplus (e.g. Cafruny and Talani 2013). Another complementarity exists between the export-led and the Anglo-Saxon debt-driven regime, with northern (especially German) export profits being invested in the Anglo-Saxon (especially US) regime (Van dee Pije 2011 et al. 2011). These complementarities are of course shot through with relations of hierarchy and dependency, held together by the "iron cage" of ordoliberalism (Ryner 2015).

Finally, the vulnerability of the finance-led accumulation stems (at least) from three sources: first, financial markets generate highly volatile prices, which translate into boom-bust cycles. Second, high debt levels increase the economic fragility. As debt has to be serviced eventually, massive defaults during bust periods may easily threaten the financial system. Third, because of transnational deregulation and integration of capital markets, financial crises easily spread globally. Seen this way, the American subprime crisis, its transmission to Europe and its local manifestation as euro-crisis was an accident (or better, a necessity) just waiting to happen.

Integrating East Central Europe

The Emergence of Dependent Forms of Capitalism

The EU has profoundly shaped the economic order in its new member states. From the early 1990s onwards, it has used its influence in the region to export the core of its deregulatory program. With the accession partnerships concluded with the candidate countries from 1997 onwards, EU requirements became central engines for domestic reforms. The accession partnerships were very encompassing. Among others, they affected macroeconomic, budgetary and monetary policies, administrative, regional, industrial and welfare reforms (Bohle 2006; Grabbe 2006; Jacoby 2006; Bruszt and Vukov 2014).

Among all requirements, the way how the EU shaped East Central Europe's policies towards foreign direct investment, as well as the FDI inflow, is of particular importance. In its accession partnerships, the EU specifically promoted privatization via foreign ownership in a number of strategic sectors, and openness to FDI crystallized as one important condition for membership (Medve-Bálint 2014). In addition, the EU sponsored national investment promotion agencies, and initially trained their staff (ibid 41–2, see also Bandelj 2008). From the late 1990s onwards, these agencies have played a major role in attracting FDI (Drahokoupil 2008). However, it was not only industrial capital that entered the region. From the 2000s onwards, investment in services, and particular financial services started to play a major role, too. Foreign owned banks, in combination with financial deregulation, are at the origin of East Central Europe's integration in the European finance-led accumulation regime (see below). While the EU's entry requirements served as powerful tools to shape East Central European reform paths, and provided the framework under which transnational capital could expand eastwards, the combination of enlargement with domestic transformation strategies also resulted in different accumulation regimes.[3]

Thus, in a number of East Central European countries, reformers pursued neoliberal transformation strategies in a rather pragmatic way. This is particularly true for the four Visegrád countries Poland, Hungary, the Czech and Slovak Republics. Reformers in these countries tried to make use of the existing industrial legacies as they attempted to restructure their economies (Greskovits 2014). The experience of major crises and the EU accession made reformers perceive domestic resources as not strong enough to keep the industry afloat. As a consequence, they gradually converged on devising a battery of instruments that served to attract industrial FDI and make sure it stayed put. Attracting FDI in the major manufacturing sectors entails important state activities, and is based on a mixture of liberalizing and protective policies. Thus, opening to foreign investment regime has been combined with tax-exemptions, direct subsidies for specific investments, import protection, building of infrastructure, investments in skills, and reforms of the labour code towards more flexible regulations (Drahokoupil 2008; Bandelj 2008; Bohle 2008; Scepanovic 2013)

[3] In the following I will only concentrate on two major accumulation regimes that have emerged in the East. Space prevents me from discussing the third—less dependent—Slovene model, as well as those of the late comers Bulgaria and Romania. For a more complete overview see Becker and Jäger 2012, Bohle and Greskovits 2012, and Myant and Drahokoupil 2011.

While the combination of the EU's overall agenda in the region and the specific transformation strategies in the Visegrád countries combined to make these countries very receptive to FDI, it is important to note that it was mostly northern European and especially German companies that took advantage of the eastern industrial capacities. As argued above, these companies had come under increasing pressures to deliver higher profits. In this context, the Visegrád countries' production sites offered a "spatial fix" (Harvey 2001) for German and other northern European multinational companies. The cost advantages of producing in East Central Europe are significant, and production is mostly geared towards re-export. The growth model of the Visegrád countries is thus highly dependent on a spatial fix applied by German multinationals, and their economic fate is strongly tied to the German accumulation regime. This dependency also explains that while these countries were hard hit by the crisis, growth—even if more sluggish than before the crisis—resumed once the German economy started growing again (Becker and Jäger 2012).

On balance, the Visegrád countries—with the exception of Hungary—have been less exposed to financialization than most peripheral European countries. To be sure, these countries have been European forerunners in privatizing their pensions, and over the 2000s, mortgage lending has become important. Also, from the 2000s on, FDI poured into the financial sector, and foreign owned banks, taking advantage of their privileged access to parent banks' funding as well as relying increasingly on European wholesale financial markets, started to tap into the underdeveloped mortgage markets (Raviv 2008; Bohle 2014). However, these processes have not dominated their growth regimes to the same extent as they have in southern Europe, or the Baltic states.

The dominance of transnational financial capital in the Baltic states—Estonia, Latvia and Lithuania—can be traced back to the consequences of the Baltic reformers radical neoliberal transformation strategy. In contrast to the pragmatic neoliberal reformers of the Visegrád states, reformers in the Baltic states subscribed to the most radical neoliberal strategies (Bohle and Greskovits 2012). They were experimenting with such radical neoliberal ideas as currency boards, flat taxes, and zero trade tariffs long before these became part of a more mainstream neoliberal repertoire. Although the Baltic countries have experienced some of the most severe transformational recessions, reformers have done little to mitigate the accompanying social hardship or protecting inherited industries. Rather, as they considered the inherited industries as part of the despised Soviet legacies, rapid deindustrialization seemed even desirable (e.g. Hudson 2014). As a consequence, when foreign investment started to pour into the region, it was mostly in banking and real estate.

It is interesting to note that, although of northern origin, it was not German credit institutions that expanded eastwards. While in the Visegrád countries Austrian and Italian banks played a major role, in the Baltic states it was Swedish banks. According to Raviv (2008), East Central Europe offered a spatial fix to these banks who struggled with declining profitability at home, and their strategies in the host countries did not address developmental needs. Rather than lending to corporations, Swedish banks played a significant role in developing mortgage markets. They unleashed a credit and housing boom which even outpaced those of the southern European debt-led regimes (Égert and Mihaljek 2007). Mortgage lending happened mostly in euros rather than local currencies. While lower interest rates on euro loans fuelled mortgage lending, the fact that all Baltic states had pegged exchange rates and were strongly committed to entering EMU made the partial "euroization" (Becker and Jäger 2012) of the Baltic states seem riskless.

The Baltic accumulation regime resembled in many ways that of the southern debt-led model. Rapidly increasing household debt was accompanied by wage increases, fuelling inflation, which, under the fixed exchange rate regime, put increasing strain on export competitiveness. With double digit current account deficits, they were even more vulnerable than the southern European countries, and the recession they experienced was among the steepest in the world. In light of this, the most striking feature of the Baltic states' crisis management strategies is that they did not generate any alternative to radical neoliberalism. At a time when the sovereign debt crisis erupted in southern Europe, all three Baltic states embarked upon internal devaluation with the aim of qualifying for the euro as fast as possible (Sommers and Woolfson 2014). It comes as no big surprise then that the Baltic states were publicly hailed as role models for southern Europe to follow (e.g. Aslund and Dombrovskis 2011).[4]

Societal Consequences of Neoliberal Restructuring

If the golden age of membership has been so short-lived, the crisis severe, and recovery sluggish at best, why has there been overall so little contestation over the specific growth models in the region? I argue that this is due to the

[4] It is telling that Valdis Dombrovskis, Latvia's Prime Minister from 2009 to 2014, who inflicted one of the harshest austerity programs in the EU on the population of the tiny Baltic state became EU commissioner and vice-president responsible for "Euro and Social Dialogue" (sic!) in the 2014–2019 Juncker Commission.

societal consequences of East Central Europe's neoliberal restructuring and transnational integration.

As I have argued elsewhere (Bohle 2006), East Central Europe's "return to Europe" can be conceptualized in Gramscian terms as a passive revolution (Gramsci 1971: 116). Passive revolution denotes a situation of radical change pushed by elites whose ideas do not stem from the domestic context but rather reflect international developments. The breakdown of state-socialism was of crucial importance for making the East Central European societies particularly receptive to western ideas and projects. Economic liberalism as an ideology became very attractive, because it constituted the most radical alternative to the existent socialist system (Szacki 1995). However, neoliberalism could neither be based on established societal groups, nor around a specific national hegemonic project. The revolutions in eastern Europe, as often stated, were bourgeois without a bourgeoisie. Instead of powerful economic groups, intellectuals and elites within the state became responsible for the neoliberal reforms (Eyal et al. 1998).

The weak societal embeddedness of the reform elites, and the equally weak transformation states are two of the reasons why East Central European reformers early on were eager to secure external assistance. EU membership thus served as an external anchoring of neoliberal reforms in the region. Moreover, the EU represented exactly what the eastern European societies had not reached over the last decades: economic wealth, stable democracies, and a form of international integration which seems to rely on the equal participation of all member states. While this promise seemed to have been realized initially, it vanished with the crisis. However, by the time of the crisis, East Central European actors had already been solidly integrated into the transnational historical bloc. As a result of the neoliberal reforms and the rapprochement to the EU, domestic social relations have been restructured, and have created a new social base for European integration.

As argued above, the most important result of the rapprochement to the EU was a very high degree of foreign penetration in important segments of the economy, which compensates for the lack of a domestic bourgeoisie. The importance of foreign investors in the region does not manifest itself only in their control and ownership of economic assets, but also in their political influence both on European and domestic levels, and their influence has not vanished in the crisis. To give but one example: at the height of the Latvian crisis, Swedish banks, its Central Bank and government as well as the European Central Bank (against the opinion of the IMF, though!) exerted significant pressure on the Latvian government not to devalue their currency (Lütz and Kranke 2014).

Interestingly though, the Latvian government did not need much pressuring to begin with (Hudson 2014; Sommers 2014). The government was adamant in defending the peg not only to save its indebted middle class (ibid.). What is more, the currency peg was a crucial symbol of the nationalist-neoliberal constellation in Latvia, and it played a crucial role in the post-crisis narrative of the Baltic economic success (ibid.). Despite social hardship, broader parts of the population keep being drawn in the neoliberal project through "austerity nationalism". Austerity nationalism instils a sense of pride about the fact that in contrast to the indebted South, the East has been able to implement harsh austerity and restore competitiveness.[5] In addition, in all East Central European countries, neoliberal restructuring and the return to Europe have undermined the collective action capacity of labour (Meardi 2013). At the same time, economic conflicts have been displaced in the sphere of ethnic and nationalist conflicts (Sommers 2014; Ost 2006).

Overall, given that the hallmark of all variants of East Central European accumulation regimes is their dependency on foreign capital, resistance is likely to be articulated along nationalistic lines *against dependency*. The economic strategy pursued by the right wing nationalist government of Viktor Orbán since 2010 has gone farthest in this direction, albeit not amounting to a fully fledged counterhegemonic project. It is characterized by an explicit attempt to reduce Hungary's dependency on foreign banks and financialization (Johnson and Barnes 2015), and to consolidate a national bourgeoisie. Orbán's project builds on segments of the national bourgeoisie, and has in the past been strongly supported by middle classes, not least because of its strong anti-poor elements. While Orban's project is strongly geared against financial interests, it would be misleading to conceive it as anti-neoliberal. It has borrowed from neoliberalism flat taxation and workfarism, and interestingly it also does not question the dependence on industrial foreign capital.

Conclusions

The aim of this contribution was to analyze, from a critical political economy perspective, the short golden age and the deep crisis that has occurred during East Central Europe's decade of EU membership. Building on concepts borrowed from regulation theory and neo-Gramscian IPE, I have argued that East Central European countries were drawn into two closely related EU projects—the efficiency oriented industrial restructuring and finance-led accumu-

[5] An excellent example of the ideology of austerity nationalism is Aslund and Dombrovskis 2011.

lation—in a dependent position. While dependent development—industrial in the case of the Visegrád countries and financialized in the case of the Baltic states—has led to impressive growth rates in the early years of membership, it has also made these countries very vulnerable to the crisis.

Due to the societal restructuring of East Central Europe before and during their EMU membership, there is very little rethinking of the dependent development strategy. East Central European societies are dominated by the interests of transnational capital, which skilfully uses its transnational Political space to get its voices heard. At the same time, neoliberal restructuring and the return to Europe have undermined the collective action capacity of labour, and economic conflicts have been displaced in the sphere of ethnic and nationalist conflicts.

It has, however, to be noted, that ironically, dependency on foreign capital has made recovery after the crisis easier. In contrast to southern Europe and Ireland, where banking crises morphed into sovereign debt crises, most East Central European countries could externalize the costs of bank bailouts on the mother companies.

The thorough transnational restructuring of East Central Europe over the last two decades has important consequences for the EU as a whole. Ardent defenders of austerity as most of these countries' elites are, they are likely to strengthen Europe's "ordoliberal iron cage" (Ryner 2015).

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20

The Political Economy of Russia

Ruslan Dzarasov

Introduction

On the eve of the market reforms in Russia at the beginning of the 1990s the prominent Russian television journalist organized a talk-show with the suggestive title "Do we need capitalism?" The broadcast was seen as a triumph for liberals over supposedly backward opponents of the new system. A highly regarded economist of the time explained the essence of the new "sole truthful doctrine"[1] to viewers in popular fashion: "Imagine a small pie, cut into equal pieces. That's socialism. Now imagine a big pie, cut into unequal pieces. Even the small pieces of the second pie are much bigger than in the first. That's capitalism." Another guest on the program then pointed to the simple, straightforward road to the promised consumer paradise: the state should get out of the economy. This, it was said, meant of course that the state should make way for ordinary citizens.

However, before long the ordinary Russians who had obediently accepted the reforms were to witness an unprecedented fall in production and living standards, the criminalization of society, the collapse of the education and health care systems, and the transformation of Russia into a semi-dependent state. The pie of the national income had not only been divided up into highly

[1] This is how the official version of Marxism-Leninism was referred to in the Soviet Union.

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unequal pieces, but had also become stale and dried-out. The collapse of the hopes, which Russians held of capitalism, has a significance that extends well beyond Russia and its people.

The greatest expectations of the Russian society were connected with the private entrepreneurship. It was anticipated that it would mend all wrongs and inefficiencies of the state bureaucracy. It was widely accepted that under "socialism" the property was "no one's". Now, with the passage of the former state enterprises to the private owners, the latter will take care of it, introducing efficient management, making long-term investments in modern technologies, and maximizing long-term growth of their organizations and of the economy as a whole. This will lead to improving Russia's international competitiveness at the world markets of high tech products and usher in the age of prosperity understood as the Western-style consumerism. In reality, Russian big business proved to be very different.

And here the conundrum of Russian capitalism arises: why are Russian owners not interested in long-term investments and make their choice in favour of inferior investments? To what extent is the result of degeneration of the Soviet system and to what extent does it reflect the influence of the global, financialized capitalism? This is what this chapter is about. Its main aim is to provide analysis of the nature of the modern Russian capitalism from the perspective of how the specific methods of accumulation of capital effected development of the national economy and evolved in Russia over the last 20 years. My approach is based on reinterpretation of the world-system analysis in the perspective of the Marxian surplus value theory.

These points will become the focus of the remainder of this text; first I will briefly introduce the reader to the context of the modern critical international political economy (IPE) in Russia; then I intend to give an essay on the genesis of the modern Russian capitalism emphasizing the joint influence of degeneration of the Soviet bureaucracy and of the global capitalism; later I focus on the authoritarian nature of the modern Russian model of corporate governance; then I am moving to the nature of the Russian big business and the social conflicts it engenders; after that I consider the rent-seeking behaviour of Russian corporations and its impact on accumulation of capital.

Critical International Political Economy in Modern Russia

The dominant view of modern Russian capitalism in the Russian economics profession is overwhelmingly neoclassical. Such leading figures of Russian conventional economics as Vladimir Mau, Evgeniy Yasin, Andrey Illarionov and others put forward neoliberal agenda of economic policy. They believe that the crucial condition of success is openness for the world market and consistent implementation of liberalization. Neoliberals recognize that in conditions of the current drop of oil prices and anti-Russian economic sanctions Russian economy proved to be very vulnerable. However, they believe that all this happens due to inconsistent liberalization. They advocate further privatization, stricter austerity measures, restrictive monetary policy, and depreciation of the ruble. Neoliberals believe that Russia should rely on its comparative advantages in labour-intensive production processes in her specialization at the world market.

In response to this orthodox approach, the critical IPE emerged in Russia. Currently it is still at its formative stage and is represented by a few strands of critical economic thought alternative to neoclassical orthodoxy. One of them is suggested by the followers of the Moscow State University (MSU) school of political economy often referred to as Tsagolov School (named after its founder MSU professor and chair Nicolas Tsagolov (1904–1985), head of the department of Political Economy at MSU in 1956–1985). Its leaders—MSU professors Alexander Buzgalin and Andrey Kolganov—suggest elaborate theory of modern "Global capital". Their main aim of research is "to demonstrate the new quality obtained by the system of the capitalist productive relations at the late stage of its development". Buzgalin and Kolganov see it in the process of undermining the very foundations of modern capitalism as a result of its own development. The research departs from the specific version of Marxian methodology of "ascent from abstract to concrete" developed in MSU.[2]

In the first volume they demonstrated that a mature social system further develops through incorporation of some elements of a new, future system destined to succeed the former. The authors emphasize the idea that this self-negation of capitalism started more than a hundred years ago from undermining the relations of market competition with the ascent of big modern corporations. This reflects the deep changes in the system qualities of commodity, the elementary "economic cell" of capitalism in Marxian parlance. This process was complemented by the arrival of a Keynesian state regulation of economy and the "welfare state". Now the elements of planning appeared not only on corporate but on the state level as well. The third and decisive stage of the capitalist system self-negation manifested itself on a truly global scale in the age of modern globalization and neoliberalism. It is characterized by domination of financial (fictitious) capital on the world scale and sublation of social regulation of economy with significant

[2] See the essay Soltan Dzarasov, 2010, Critical Realism and Russian Economics, *Cambridge Journal of Economics*, Vol. 34. No. 6, pp. 1041–1056, where the methodology of Tsagolov school is compared with modern critical realism.

restoration of self-regulation. Then Buzgalin and Kolganov discuss the new quality of the commodity, money, capital, exploitation and reproduction in the age of globalization.

Georgiy Tsagolov belongs to the same MSU school, but stays somewhat apart from Buzgalin and Kolganov. He focused on the performance of BRICS (Brazil, Russia, India, China and South Africa) economies and the lessons from which one could draw for developing economic theory.[3] Tsagolov thinks that BRICS countries demonstrate high rates of growth because they have found a powerful alternative to neoliberal approach to development. Its essence is combining the instruments of planning and market economy. The researcher believes that there is even more to it than that—China, India, Vietnam have found the way to a new social system—Integral Society synthesizing socialism and capitalism in a single mode of production. Tsagolov derives his approach from the convergence theory developed by J. Galbraith, P. Sorokin, A. Sakharov and others. Elements of the same approach, he believes, are pertinent to more successful former USSR republics: Belarus, Kazakhstan and Uzbekistan. From this standpoint Tsagolov develops systematic critique of the current neoliberal economic policy of Russian government. He thinks that the principal way to modernize Russia is to find the proper balance between private initiative and the state planning.

A particular strand of critical IPE in Russia is developed in the Center of Development and Modernization (CDM) attached to the Institute of the World Economy and International Relations of Russian Academy of Sciences headed by Vladimir Khoros.[4] Specific interdisciplinary approach of this school is based on treating the problems of development through the lens of modernization theory. They argue that the essence of development has changed greatly in the modern globalized world in comparison with the post World War II period. In the meantime, the very possibility of nationally oriented development narrowed greatly. In the globalized, financialized world dependency of the periphery and semi-periphery of the world system on the core drastically increased. It took not only technological (from standpoint of value chains), but also financial, political and informational dimensions. The researchers consider globalization as an ambiguous process. On the one hand,

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[3] Tsagolov G., 2015, Put' k Schastlivoy Zhizny (The Way to Happy Life), Moscow: Mezhdunarodni Universitet v Moskver.

[4] Khoros V., Malysheva D. (eds), 2013, "Tretiy Mir": polstoletiya spustya ("The Third World": half a century later), Moscow: IMEMO RAN; Khoros V. (ed.), 2003, Globalizatsiya b Krupniyer Peripheriyniyer Strany (Globalization and Big Peripheral Countries), Moscow: Mezhdunarodniyer Ontosheniya; Khoros V. (ed.), 1996, Avtoritarism I Democratiya v Razvivayushikhsya Stranakh (Authoritarianism and Democracy in Developing Countries), Moscow: Nauka.

it opened the ways of speedy development for a few countries mainly belonging to BRICS members. On the other, it is highly distorted in favour of the West. Currently, the non-Western part of the world witnesses a wave of localization. It includes integrational processes designed to modernize the existing unilaterally pro-Western architecture of the international institutions. BRICS countries, organizing the New Development Bank, are setting the pattern. Although the CDM authors think that their integrational potential is more a possibility than reality up to now. Association of Southeast Asian Nations (ASEAN) in Asia, MACSUR in Latin America and Eurasian Union in the former USSR are salient examples of local integrations. One of the negative consequences of these contradictory processes is a deep split of the development countries' ruling elites. One part of them is constituted by comprador, pro-Western capital, while the other by nationally oriented bourgeoisie and state bureaucracy. In this context, Russia is a special case. She has to negotiate her difficult way to reindustrialization. This stems from enormous degeneration of her industrial and social systems experienced in post-Soviet times.

The essay on critical IPE in Russia would be incomplete if we do not consider the contribution of historians.

Boris Kagarlitsky represents a multidisciplinary approach to the political economy of Russia. His perspective is based on a historical approach. Kagarlitsky suggested the first, to the best of my knowledge, interpretation of Russian history from the world-system analysis approach. In his famous book *Peripheral Empire*[5] he demonstrated that Russia always fought to catch up with the West through state mobilization. This led to a paradox that the influence of Western liberal societies engendered stricter shackles on Russian people. He emphasizes the role of the mass media in post-Soviet Russia, corporate structures and their influence on social conflict, and the formation of the oligarchy. In this framework he attempts to define the role of the left in modern Russia. In his latest book Kagarlitsky focuses on the arrival of the modern state and its formative influence on capitalism.[6] Georgiy Glovely represents an approach to the world economic history from the standpoint of the world-system analysis.[7] He focuses on a comparative study of economic evolution of the Eastern and the Western countries. The peculiarities of Russian economy are considered in this context. The evolution of the market institutions under the influence of economic crises is discussed in comparison of the core and

[5] Kagarlitsky B., 2008, *Empire of the Periphery: Russia and the World-System*, London: Pluto Press.
[6] Kagarlitsky B., 2014, *Ot Imperiy k Imperialismu (From Empires to Imperialism)*, Moscow: LENAND.
[7] Glovely G., 2014, *Ekonomitcheskaya Istoriya* (Economic History), Moscow: Uright.

peripheral societies. Historians put emphasis on the crucial role of the core-periphery relations as the formative influence on the Russian economy.

Summing up the above, one may say that the Russian critical IPE approach presents a number of approaches centered on the position of the country in the world economic system. The present author develops the same approach based on reconsideration of the core-periphery relationships on Marxian labour theory of value and the surplus value approach.[8] From this standpoint he sees the global value chains as the key factor of the current international division of labour. In this perspective one can see the arrival of Russian capitalism.

Genesis of the Modern Russian Capitalism

I find two major formative impacts shaping the modern Russian social system: the world capitalism at its present stage of history; and the legacy of Stalinist society, which existed in USSR. I will start with a brief discussion of the first factor.

It was the crash of the Soviet bloc which ushered in the age of an increase in foreign direct investments of Western transnational corporations (TNCs) and industrialization of the peripheries of the world capitalism unparalleled in history. The global pool of the workforce doubled due to 1.5 billion new workers from China, India and former USSR, creating enormous new opportunities for exploitation of this cheap labour (Freeman 2010). Huge overcapacity was created at the periphery of the capitalist world system as a result of unprecedented accumulation of capital and wages being depressed worldwidely. Due to this, manufacturing profitability declined. At this backdrop, profitability of financial speculations increased causing a shifting in the focus of capital from manufacturing to capital markets. Thus, financialization of the core started.

The shift of US corporations from managerial firms to financialized structures is one of notorious events in recent economic history. Until the 1970s the corporate America was dominated by separation of ownership and control. This means that share holdings were too diluted to secure shareholders' control over corporations' day-to-day decision making, which resided with the managers. The latter maximized long-term growth of their organizations, since their welfare depended on growth of firms and not on current

[8] Dzarasov Ruslan, 2014, The Conundrum of Russian Capitalism. The Post-Soviet Economy in the World System, London: Pluto Press.

dividends. All this may be true; the inner contradiction of long-term interests of an enterprise as a going concern and of the short-term financial gains, underscored by Marx and Veblen, was always inherent in corporations. "For thirty years after World War II, investment opportunities were good enough in general … that financial interests did not try to interfere with strategies to retain and reinvest" (Blair 1993, p. 5). However, accumulation of capital on the world scale created conditions for exacerbating the inner contradictions of capitalism; when the US competitors—Western Europe and Japan—rebuilt their economies international competition exacerbated and undermined profits, which led to the stagflation of the 1970s. This decline of profitability of investments in productive capacities gave rise to the Shareholder Revolution of the 1980s in the form of a wave of mergers and acquisitions rolling over the US economy (Ho 2009). The Shareholder Revolution overcame the separation of ownership and control and ended the relative independence of managers. US corporations were ruthlessly downsized, restructured, stripped of assets, their investment funds being severely curtailed. All this was done to increase dividends and boost share prices. Increasing current shareholder value supplanted long-term growth as the prime object of corporate strategy.

In new conditions the growing share of internally generated funds started being directed to dividends and share buybacks (Milberg and Winkler 2010). This compelled US corporations to outsource production overseas in the regions with low wages, forming global production networks (Bair 2009). However, only labour-intensive chains of production with a low level of value-added were moved overseas, while control of Western TNCs over high value-added processes was strengthened. From this an increase of exploitation of labour—both foreign and domestic—emanates. One of the prime vehicles of this process is redistribution of incomes through the mediation of financial markets. This created demand for financial assets at the expense of investment funds on the part of big business. In the 2000s the share of financial assets exceeded the share of productive assets in the structure of capital of the US non-financial corporate sector (Orhangazi 2008).

Summing up the above, one can say that *modern financialized capitalist world-system values short-term pecuniary gain is much greater than long-term growth of productive capacities*. As I will show below, this affected the nascent Russian big business greatly. However, to better understand the roots of modern Russian capitalism one needs to comprehend the evolution of the Soviet bureaucracy in the environment created by global capitalism at the end of the 20th century.

The Soviet system[9] appeared as a result of the Russian revolution of 1917 which was a rebellion of the periphery of the capitalist world system against its core. According to Trotsky (2004) the Soviet society was only transitional, i.e. only attempting to build socialism and, as such it contradictorily combined the elements of socialism and capitalism. Due to the low original level of economic and social development coupled with cultural backwardness the Soviet society produced the new privileged ruling elite—party and state bureaucracy. Its ascendancy to power with Stalin's victory in the late 1920s marks "Thermidor" or bourgeois degeneration of the Russian revolution. This distorted the development of the Soviet system in many ways.

The Soviet society provided workers many important economic and social (but not political) rights, but simultaneously it produced new kinds of inequalities. Excessive centralization of planning, which reflected the power of bureaucracy over the society, violated economic proportions. One of the major manifestations of this distortion of central planning was arbitrary power of bureaucracy controlling distribution of incomes. In the course of successful industrial development the Soviet society experienced increasing growth of informal control of bureaucracy over economic resources, which allowed it to appropriate private incomes on the basis of public property. The shift from agricultural to predominantly urban society led to inner differentiation of bureaucracy and intelligentsia singling out diverse social strata and groups with differing and often conflicting interests. In conditions of authoritarian state this produced growing discontent with egalitarian aspects of the Soviet system among bureaucracy and intelligentsia (Lane 2011).

These social contradictions of the Soviet society were exacerbated when in the mid-1970s the sources of mass, cheap resources had been largely exhausted and the rates of economic growth declined (Yaremenko 1997). Unexpectedly, to Gorbachev and the majority of observers, *Perestroika* and democratization of the late 1980s had led to formation of a powerful pro-capitalist block of social forces, formed by representatives of the ruling bureaucracy and intelligentsia. It succeeded in dismantling the Soviet system and central planning and ushered in the transition to capitalism (Kotz and Weir 2007, pp. 107–111).

The radical market reforms, started at the beginning of 1992, were based on the notorious principles of the Washington Consensus, devised by the Washington-based financial institutions for developing countries. The main measures of economic reforms contributed directly and indirectly in

[9] I prefer to call the social system which actually existed in USSR "the Soviet system" rather than "Communism," "Socialism," or "State socialism", because the degree to which it was socialist is a debatable question.

legalization of informal control over the assets on the part of new owners, coming from the ranks of the former Soviet bureaucracy (administrative class), intelligentsia (appropriating class) and the criminal underworld.

In sum, transition from the Soviet system to capitalism was the logical consequence of Stalinist degeneration of the Russian revolution. Interplay and mutual reinforcement of rotting of the Soviet bureaucracy and the influence of the financialized global capitalism strengthened and entrenched the informal control of the former bureaucracy and criminals over productive assets. This fact had left an indelible imprint on the Russian business elite.

The Russian Model of Corporate Governance

The actual form of ownership and control of Russian enterprises was shaped by privatization starting in the early 1990s. The best world practices of privatization suggest a distribution of the property rights to a state enterprise to a number of stakeholders; focus on improving performance of the former state enterprises; close public monitoring of the whole process (Vuylsteke 1994). In contrast, Russian reformers sought to guarantee that the dismantled Soviet system would never revive. Therefore, they pursued an objective of creating a new business elite as quickly as was possible whatever the costs. Such an unscrupulous aim perfectly fitted both the interests of the triumphant pro-capitalist coalition and its Western supporters. Privatization was organized in Russia in such a way that it created widespread opportunities for abuses of the legal system by state bureaucrats and criminals and enabled them to gain control over the most profitable enterprises (Freeland 2011). Large-scale undervaluation of the former state enterprises was one of the principal ways of accumulating huge personal wealth by a handful of oligarchs. Increasing concentration of production and capital and the emergence of the corporate sector in Russian economy ensued.

At the initial stage of privatization the ownership structure of Russian enterprises was characterized by the predominance of insiders. Later a redistribution of equities took place in favour of owners-outsiders (Dolgopyatova 2005), who started dominating Russian enterprises, and whom I call "big insiders".

Research demonstrates that at the end of the 2000s, concentration of ownership in Russia was still very high. Indeed, among the firms surveyed, the share of organizations in which the major shareholder had 50% of shares or less was only 36%. At the same time, the firms with the major shareholder owning more than 50% of equities amounted to 64% of the whole sample

(Avdasheva and Dolgopyatova 2010, p. 29). However, Dolgopyatova (2003) emphasizes that the nature of insider control has changed since the early stages of privatization. At present, this group consists not only of managers, who became legal owners, but also of major outside owners who became “new insiders” (ibid., p. 20). Mentioning that control in Russia is more concentrated than ownership, Kuznetsova and Kuznetsov (2001) argue that even if employees together own over 60% of the company’s shares, as separate individuals they each have only a small number of shares (ibid., p. 96). What is more, “As a source of control, ownership matters in Russia only to the extent it is underpinned with power associated with the position of authority in as much as extra-ownership control is highly effective” (ibid.). This means that individuals with relatively large shareholdings, to whom Dolgopyatova refers as to managers and “new insiders”, are much more important than the other shareholders.

In fact, individuals who can formally be referred to as insiders—managers and employees— occupy very different positions in the Russian corporate sector. Only those who have “extra-ownership” control can influence the corporate governance. Top-managers and owners with controlling or blocking parcel of shares or even individuals who are formally minority shareholders may belong to this category. These same aforementioned possible people in this category, and not only owners-outsiders with the controlling shareholdings, became “new insiders” as contrasted to the “old insiders”—rank-and-file managers and employees. As will be demonstrated as follows, employees have insignificant influence on corporate governance. Hence, they can be equated with outsiders. From this point forward, the term insider will be used to mean those individuals or groups of individuals who exercise control over the companies through specific means, discussion to follow. The approach of this treatise takes into account first of all the informal aspects of corporate governance, understanding insiders as individuals or their groups who dominate enterprises has another important advantage. As was already shown, in modern Russian conditions dominant individuals may or may not be the formal owners of enterprises. This means that the term “dominant owners” may be misleading in some cases. In describing these dominant individuals or their groups, they are referred to as *big* insiders in this work.

Power of big insiders is based on infrastructure of control, which largely underlies a firm’s power over the market. Elements of this infrastructure are the formal and informal institutions created by big insiders to secure their market positions, and secure large insiders’ control over the external and internal environment of their enterprises. Let us consider Fig. 20.1.

The external elements of infrastructure include: a chain of offshore firms (an offshore cloud) allowing the dominant group of big insiders to conceal their control over the enterprise (Pappe 2002b, p. 168–9); ties with the state functionaries providing lobbying of the interests of the dominant groups in official bodies (Levina 2006); external protection of the "property rights": the so-called "roofs" (criminal structures or law enforcement agencies) and private security firms, providing protection from the encroachments of competitors (Volkov 2002). The external elements of infrastructure of control is nothing else than "sate capture" by big business. World Bank experts note that for the

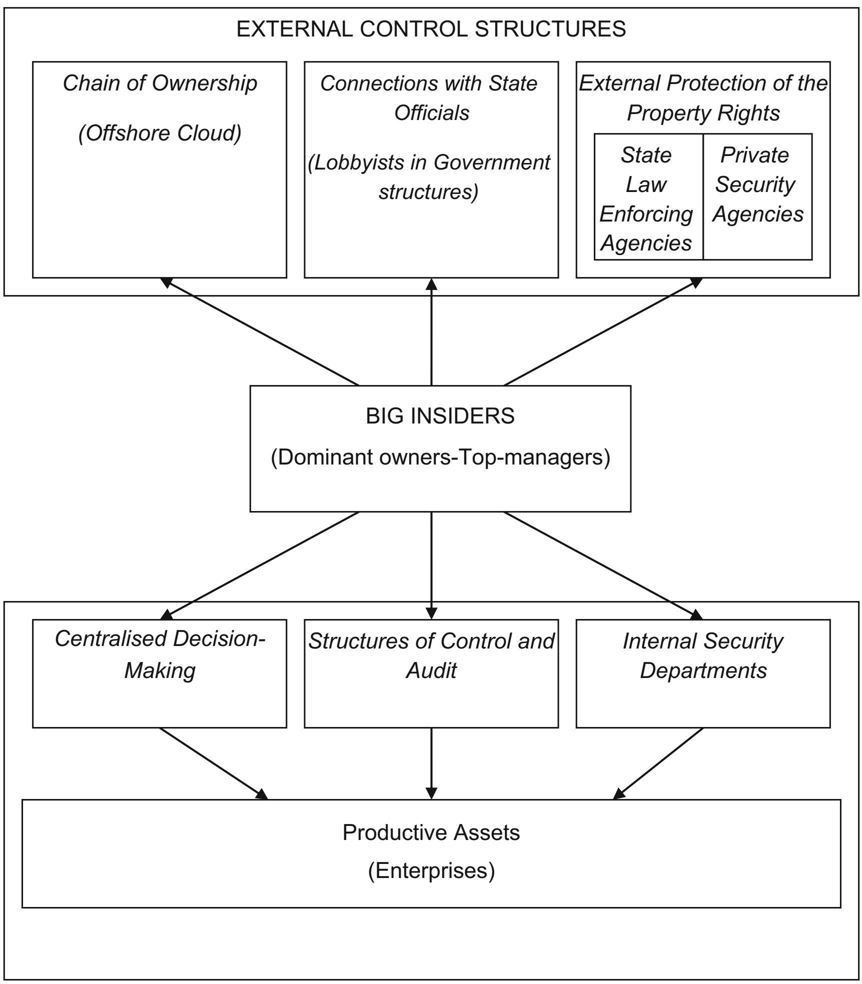

Fig. 20.1 Infrastructure of control of big insiders over the assets

new entrants, capture of the state is a compensation "for weakness in the legal and regulatory framework" (Hellman et al. 2000, p. 2). By the mid-2000s Russia experienced a rapid shift from "state capture" to "business capture" characterized by "the dominance of the state over big business" (Yakovlev 2006). The latter means that state officials redistribute lucrative pieces of property in favour of their associates sometimes in the form of pseudo-nationalization. Internal elements of infrastructure in question include: direct control over the top-management (Pappe 2002a); centralization of the decision making which assumes augmentation of the departments of auditing and control in excess of the level necessary for efficient operation of business (Novojenov 2003); internal security departments providing control over the hired labour and rank-and-file managerial staff.

Under current Russian conditions, only this infrastructure ensures control over assets and, consequently, enables owners to maximize the income generated from their property. As we will see as follows, the amount of income obtained by large insiders, and often the very opportunity itself, depends on the efficiency of their infrastructure for control over assets. It should be particularly stressed that due to the crucial role of informal institutions for the infrastructure of control, the real power of large insiders greatly exceeds their legal rights based on their official status. Thus, they exercise supra-property rights over their controlled enterprises. The infrastructure of control clearly shows a lack of separation of ownership and management, which is one of the prime characteristics of the modern Russian business. This set of institutions is a logical consequence of the informal relationships of private income appropriation which started early in Soviet times and became institutionalized during the course of privatization. We can better understand the significance of this infrastructure, taking into account the instability of control over the assets in the modern legal environment in which big Russian business operates.

"Accumulation by Dispossession" in Russian Big Business

Marxist geographer David Harvey proposed the concept of "accumulation by dispossession" which defines the neoliberal capitalist policies from the 1970s and to the present day. The notion is based on generalization of the Marxian notion of the "original accumulation", which assumed colonization, enclosures, robbery and other means of direct coercion. "Accumulation by dispossession" assumes a centralization of wealth and power in the hands of a few by dispossessing the public of their wealth and incomes. These neoliberal policies are shaped by privatization, financialization, management and manipulation of crises, and state redistributions. Accumulation by dispossession assumes extra-economic coercion. Since neoliberal policies were very peculiar to Russian economic reforms, Harvey's notion is quite reasonable in the context of modern Russian capitalism. The particular form of accumulation by dispossession in the Russian case is defined by the properties of the Russian model of corporate governance.

Waves of redistribution of property among rival groups of big insiders regularly roll over the Russian economy (Radygin 1999). This suggests that *despite the existence of a highly developed infrastructure, the control of big insiders over Russian enterprises is fundamentally unstable*. Such conditions in large measure arise from the importance of the informal elements of insider control. For instance, if the leading political figures change, the sophisticated system of personal connections, created by a business structure with the government officials may crumble. It is even more important that, since in the majority of cases informal positions of big insiders have a criminal or semi-criminal nature, they cannot be legalized. This means that they can always be challenged. Hence, big Russian business is always in a vulnerable position, as will be attempted to demonstrate here. Due to the given legal environment and to its largely criminal nature, privatization laid the foundation for a permanent struggle between the rival groups of big insiders for control over profitable assets.

The overwhelming majority of hostile takeovers assumes an adversarial character and is enforced by criminal coercion. Raiding became a separate sector of the Russian economy with its own market for services and with a large annual turnover. First of all hostile takeovers threaten big insiders who failed to create infrastructure of control strong enough to protect their dominant positions. Here the role of the modern Russian state in violent redistribution of "property rights" should be discussed. The Chairman of the State Duma Committee on Prevention of Corruption, Grishankov maintains that "not a single raider would dare to take over an enterprise, if not propped up by the corruption ties both in the law enforcing agencies and other structures" (Kondratyeva 2006). A court official confessed in his interview that "last year" he participated at least in ten takeovers. Honorarium was paid after completion of the actions within an excess of US$10,000 being transferred to the superiors (ibid.).

The nature of such a danger will be clearer if one takes into account the methods by which property rights are redistributed today in Russia. Raiding, the practice of hostile takeover of enterprises, has become an industry in contemporary Russia. The mechanism of this process was examined by "Kumpanya" periodical, studying the corporate sector of the Russian economy (Vorobyev 2005). The results suggest that there is a mature market, providing services of this sort, with established firms and prices. The research shows that the hostile takeover is based on evaluation of infrastructure of control. Raiders carefully study the external and internal protection of the "property rights", created by the big insiders. They are particularly interested in the informal positions of the dominant owners in the law enforcing agencies and in the government spheres. As mentioned, the price largely depends on such connections. The whole takeover tactics depend on the structure and degree of development of the infrastructure of control. The research testifies that companies with underdeveloped systems of protection are vulnerable and more susceptible to a hostile takeover. There are significant amounts of publications about violent actions being undertaken in course of such "corporate wars".

Therefore, Russian business is characterized by a fundamental instability of ownership and control. This instability has very deep and far-reaching repercussions.

Under the constant threat of losing control over their enterprises, Russian big insiders are reluctant to commit themselves to long-term investments. Short-termism emanating from this uncertainty, affects greatly objectives of Russian firms, which seek to maximize not long-term growth, but insider rent. This term connotes an income of the dominant groups derived from control over the firms' financial flows. It is appropriated at the expense of cutting wage fund, investments, depreciation fund and some other sources. Usually, insider rent is withdrawn from an enterprise to be accumulated at private accounts of big insiders somewhere in offshore sites. This type of income is short- or at best medium-term in its nature. The ability to appropriate these funds is conditioned by infrastructure of insider control over the assets.

Insider rent is formed by surplus value, since its major part is ultimately reducible to the product of unpaid labour, and by appropriation of wage incomes sometimes created outside the capitalist sector. Since insider rent is extracted due to infrastructure of control, it has certain features of a feudal rent as well as the features of entrepreneurial profit. This double nature of insider rent reflects the double nature of Russian capitalism originated from degenerated Stalinist society and global capitalism.

Extraction of insider rent undermines income of minority shareholders, managers who do not belong to the dominant group and workers. Numerous corporate conflicts, increased opportunistic behaviour by employees and worker unrest ensue.

The rights of minority shareholders in Russia are violated on a permanent basis. According to the research of Avdasheva and Dolgopyatova (2010, p. 32), only 40.6% of Russian Joint Stock Company (JSC) with foreign partnership and only 23.9% of other companies regularly pay dividends in Russia. As Dorofeyev (2001) explained, investors simply decrease the share prices sought by companies at an estimated value of insider rent accruing to the dominant groups. He compared the leading Russian and foreign companies operating in oil and gas industries, which are the most profitable in Russia. He concluded that the differences in their capitalization were greater than the differences in their financial flows and levels of output justified (ibid., p. 34). In terms of the current concern, the main effect of the systematic undervaluation of shares of sizable Russian companies is the failure of the securities market to be an important source of external investment funds.

Another facet of the problem is the conflict between big insiders and managers. Novojenov (2003) argues that the incomes of managers of Russian corporations who do not belong to the dominant group are less than they would be without rent extraction by big insiders. Abe and Iwasaki (2010) find that the presence of a dominant shareholder in a Russian company significantly increases the probability of turnover of the managerial staff, while foreign owners tend to change only CEOs. This is explained by Timofeyev (2003). He finds that "providing jobs through connections and bribes is the major method of hiring personnel by Russian companies. … One of the reasons for this is that insider control demands loyalty" (ibid.). Loyalty of managers should be treated as a part of the infrastructure of the control imposed by the dominant group on enterprises. Such conditions lead to widespread opportunistic behaviour by managers. According to Yakovlev et al. (2010, p. 137): "The owners do not have adequate information about the condition of their businesses, and it is difficult to prevent managers from engaging in opportunistic behaviour".

The entrenching of big insiders in Russian corporations is frequently accompanied by a drastic deterioration in workers' conditions. According to Menshikov (2004, p. 256) labours' share amounted to 40.5% of GDP in 1990, while in the post-reforming period it dropped to just 26%. Indeed, in the course of recovery of the 2000s wages grew significantly and according to official estimates their GDP share reached 36% in 2012 (Rosstat 2013, Table 8.6). Still it is lower than in the pre-reform times and very low according to the world standards. The many-faceted deterioration of the conditions of workers engendered numerous conflicts between them and big insiders. Currently they rarely assume the form of collective worker unrest.

The survey of Vinogradova and Kozina (2011, pp. 32–3) had shown that ideas of the common interests at Russian enterprises were shared only by 18% of workers and 24% of managers. Some 40% of workers and 49% of managers recognize partial intersection of interests of workers and administration. Also, 41% of workers and 27% of managers believed that "the superiors pursue their own interests, while personnel is only a mean to achieve their goals" (ibid.). In response to the impingement on their interests, Russian workers have developed their own types of opportunistic behaviour. They apply to theft, producing products for private needs using firms' equipment, shrinking from their responsibilities and demonstrating poor performance. However, Pirani (2010, p. 163) notes, that the relative recovery of the 2000s had an ambiguous impact on the Russian workers' movement; on the one hand, the amount of strikes declined, on the other, the amount of independent trade unions increased.

In view of these intensive and numerous intra-firm conflicts the dominant groups are compelled to increase their investment in the infrastructure of control to suppress these conflicts. Short-term income maximized by Russian corporations undermines both the supply of and the demand for investment funds in Russian big business.

Insider Rent and Capital Formation

Withdrawal of funds to offshore sites diminishes funds available for enhancing and modernizing Russian firms' productive capacities. Expenditures on infrastructure of control, necessary to protect big insiders' "property rights" and control the hired labour, has the same effect. Insider rent withdrawal makes interest rates of the internal generation and borrowing of funds higher, thus, diminishing finances available for investments. Hence, the supply of investment funds under the Russian corporate governance model is lower than potentially possible. However, insider rent undermines the need for investment as well. Due to growing inequality and the consequent shrinkage of the domestic market, corporate profits expected from investments in productive capacities are low. As a result, Russian corporations often reject large projects with long pay-back periods. Since these projects usually are of crucial importance, the long-term business prospects deteriorate sharply.

Short-termism of Russian big insiders and their consequent proclivity to rent extraction are strengthened further by the probability of a hostile takeover, which rises with longer-term investment making firms more profitable.

Thus, insider rent extraction fuels corporate conflicts, increases the probability of hostile takeovers and, ultimately, undermines accumulation of capital by Russian big business. This greatly affects economic growth in Russia.

Economic growth crucially depends on price structure of the national economy. Those industries where mark-up on unit costs of production is greater enjoy greater profits and, hence, better investment opportunities. Departing from his model of a typical corporation Eichner formulated the *value condition of growth, meaning existence of such group of industries' prices which covers both costs of current production and costs of expansion at the level of full employment* (Eichner 1991, p. 338). Relative size of mark-ups determines distribution of financial flows among industries: sectors with greater mark-ups and, hence, greater profits, obtain greater funds. The ability of prices to cover current costs of production and costs of expansion, and hence the value condition of growth itself, depends on technologies applied in the national economy as well. Hence, the price balance between different industries of the national economy is very delicate. Meanwhile, in the capitalist society it depends not on needs of different industries to fit full employment, but on relative power of industrial groups of capitalists.

Russian economy is an exemplar case of price disparity. She demonstrates two unequal groups of industries: with prices growing relatively faster and relatively slower than on average. The first group includes: the fuel-energy complex, ferrous and non-ferrous metallurgy, foodstuff production, transport, and a number of segments of some other industries, while the second includes all others. The companies of the privileged sector are in a position to limit supply of their products at the domestic market since they can export their products abroad. This power over the domestic market is realized in their domestic price increase. This results in uncontrolled cost surges in manufacturing and transfer of capital from this sector to the raw extracting industries. The price structure of the Russian economy shows that big insiders of the privileged sector and of the industries hurt by disparity appropriate incomes different in amount and character. Mark-ups on unit costs of the first sector grow faster because they include a greater share of insider rent than mark-ups of the second sector. This difference in prices reflects the difference in market power of different industrial groups of big insiders. Due to greater mark-ups, capitalists of the privileged sector redistribute capital from the unprivileged sector in their favour. The fact that the privileged position in price disparity accrues to big insiders of the exporting industries with a low level of raw materials for processing reflects the semi-peripheral position of Russia in the world system.

Rich empirical data suggest that investments of the big Russian businesses assume inferior character.

Some surveys of Russian management demonstrate that among the respondents the share of enterprises undertaking any investments in productive assets oscillated between 45% and 80%. It is characteristic that in April-May of 2013, i.e. in three years after recession, nearly 40% of the surveyed enterprises were abstaining from any investments at all (Kuvalin et al. 2013, p. 128). The trend is obvious. Moreover, in April-May 2013 only managers of less than 60% of enterprises believed that their organizations would undertake any investment projects in the near one to two years (ibid.). According to some estimates the aggregate decline of demand for machinery and equipment in the period of the radical market reforms had led to a decrease in purchases and output of these products of approximately 80% (Kornev 2005, p. 67).

The qualitative dimensions if investments are of no less importance. At the end of 2012 approximately one in every five Russian enterprises was in need of full modernization of its productive capacities, and more than a half of enterprises were in need of partial modernization (Kuvalin and Moiseyev 2013, p. 141). In the same period, investments of only 18.4% of the surveyed organizations secured the necessary modernization of equipment. At the same time investments of more than 80% of enterprises were able to provide only partial improvement or only to maintain the already obtained level of productive capacities (ibid., p. 142).

In result of all this, the fixed capital stock of the Russian economy became very obsolete. According to Kornev the average longevity of equipment in the Soviet industry was gradually growing from 8.4 years in 1970 to 11.3 years in 1991. However, in 1992–2004 this figure had grown from 12 to 21.2 years, amounting to 23 to 24 years in 2011. The share of machine tools and equipment with the life span of more than 20 years reached the absurd level of 68% of the whole stock (Kornev 2013, p. 66).

* * *

Summing up the above, I would like to underscore that the present work seeks to explain modern Russian capitalism as an integral phenomenon. The ideas that are set forward have their basis in Marxist theory, which holds that the key features of capitalist society can be explained using the concept of surplus value. I identify insider rent as a concrete form which surplus value assumes in modern Russian society. This notion allows a researcher to comprehend the short-term aims of Russian corporations; their inferior investment strategies; the mechanism of corporate pricing and phenomenon of price disparity; the backward technological and distorted industrial structure of Russian economy; and eventually, the position of modern Russia as a semi-periphery of the world capitalist system.

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21

The EU-MENA Relationship Before and After the Arab Spring

Christos Kourtelis

Introduction

The Barcelona Conference in 1995 established the Euro-Mediterranean Partnership (EMP), a new type of relationship between the European Union (EU) and the countries in the Mashriq and Maghreb regions, which is based on the idea of close cooperation between parties and not on a donor-recipient model of help. After the eastern enlargement of the EU in 2004, the Union developed a new programme towards its eastern and southern neighbours. The European Neighbourhood Policy (ENP) was formed with the objective of creating a ring of allies with the countries that share borders with the EU. Towards its southern partners the ENP builds on EMP and offers bilateral incentives to develop closer links with the region (European Commission 2009).

This chapter analyses the political economy of the ENP towards the Arab partners, with a particular focus on the role that aid tools play in the relationship between the EU and the neighbouring countries. The argument of this study is that despite the rhetoric of the EU and its insistence to support the deeper democratization of the Arab countries after the Arab Spring, the ENP and the post Arab Spring tools continue to contribute to the establishment of elites' power to the broader region. A neo-Gramscian framework can help to explain the political and economic parts of the EU-MENA relations, the

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commercial and political gains for the participants and to illustrate how the hegemony of a transnational block is manifested over the MENA (Middle East and North Africa) countries.

To achieve these aims the chapter consists of four parts. The first section shows the weaknesses of liberal and realist interpretations that dominate the literature of the EU-MENA relations and explains the added value of neo-Gramscian ideas to this debate. Then, I turn my focus on how democracy promotion is used for supporting the hegemonic structures in the MENA countries. The third and the fourth sections analyse the EU initiatives for the promotion of agricultural and industrial trade. Finally, the conclusion reviews the main findings of the chapter and also looks at the future role of the EU in the region.

Liberal and Realist Interpretations of the EU-MENA Political Economy

The EU has offered financial assistance to the MENA countries for more than three decades. As stated in the introduction, after the enlargement of 2004, the EU designed the ENP, which worked as an umbrella policy to govern its relations with the countries it shares borders with.[1] In addition to the Association Agreements with the EU, the MENA countries signed the ENP Action Plans (APs) for eliminating behind-the-border controls and for reforms that would allow them to get a greater stake of the European markets.

The APs set out an agenda of political and economic reforms with short and medium-term priorities of three to five years. Through sector cooperation, the ENP links partner countries with the EU's internal market and its social and economic model. According to the European Commission, the attempt to integrate the ENP partner countries into the EU relies on joint decisions and on shared values and goals (European Commission 2010).

The deeper integration of the MENA countries into the EU market has led the analysts of the ENP to (re)examine the regional political economy. Often in the literature of Euro-Mediterranean relations, the ENP is seen as a progressive form of postmodern regionalism (Wesley Scott 2005, p. 430) informed by shifting geopolitical rationalities and a plethora of political and cultural traditions between the EU and the MENA countries. These elements have allowed liberal (and constructivist) explanations to emerge as the

[1] The ENP is proposed to Algeria, Armenia, Azerbaijan, Belarus, Egypt, Georgia, Israel, Jordan, Lebanon, Libya, Moldova, Morocco, Palestine, Syria, Tunisia and Ukraine.

dominant frameworks for the analysis of the relations between the EU and the Arab counties.

Liberal interpretations of the EU-MENA political economy see the EU as a genuine supporter of values such as democracy, human rights, open market and good governance, which contribute to the liberal security and development of the region (Joenniemi 2007, pp. 141–142). These accounts argue that the ENP is a gap-reducing process, which will contribute to the sustainable development of the partner countries (Comelli and Paciello 2007).

Yet, the benevolent role that the EU plays in the region does not come without criticism. Liberal critiques of the ENP focus primarily on the efficiency of the EU tools and on the transaction costs of the policy. The focus on the efficiency of the policy leads analysts to examine the "technical problems" of the ENP. These papers concede that the ENP is better than the previous policies towards the close region, but not good enough. They admit that the APs are more precise than the vague Association Agreements of the Barcelona Process (Emerson and Noutceva 2005; Del Sarto and Schumacher 2005), but there are still some operational difficulties and unclear points, which slow down the modernization of the partners (Smith 2005, pp. 764–765).

A wide range of suggestions starting from very general ideas down to more specific policy recommendations are given in order to overcome some of these deficiencies. Consistent with the neoliberal logic of policymaking, which depoliticizes the political economy of development and the governance of financial aid, some authors see the short-term goals of politicians and diplomats as the main problems of the ENP and suggest leaving the policy to the hands of technocrats (Senyücel et al. 2006; Pardo 2008, p. 72). What is neglected in such works is that the role of the MENA countries in shaping the EU-centric ideas of development is minimal and the regular effect of this model makes the MENA region look like an apolitical object of sound technocratic management.

The problematic theoretical foundation of such claims can be found in other studies which highlight the need from the side of the partner countries to define their priorities more clearly when they communicate with the Europenan Commission and suggest to the latter stronger cooperation with the other international organizations that work in the area (such as the International Monetary Fund (IMF) and the World Bank) (Jones and Emerson 2005), despite the negative implications of structural reforms that these organizations have demanded from the MENA countries since the mid-1980s. Others suggest the categorization of the recipient states in "willing" and "passive" partners, which will be accompanied by the adoption of different incentive packages in order to make the strategy more efficient

(Comelli and Paciello 2007; Emerson et al. 2007, p. 5; Bodenstein and Furness 2009).

In general terms liberal studies see the ENP as a positive step towards closer relations between the two regions. In this context the role of the EU is to provide the funds in this relationship, to work as a stabilizer of the economies of its partners and as an example to be followed. The term "Europeanization of the neighbourhood" signifies the capacity of the EU to work as a teacher and to create a wider market by including its neighbours. By providing aid funds, the EU mitigates the costs of this transition and enforces cooperation among states, even if we assume that the EU does care about its material interests. As the strongest link of this relationship, the EU strengthens the voice of the developing partners and prepares them for deeper integration into the EU.

This benevolent role of the EU in the regional political economy has been challenged by some realist authors, who have moved away from the liberal interpretations of the Euro-Mediterranean relations (Costalli 2009). These works bring back the concept of power in the regional political economy, but their emphasis remains on states (especially on the EU member states), which act as the main units of analysis in political economy (and international relations) and on the absence of EU's hard power capabilities to dictate its rules over the MENA region. Through these lenses, the EU (as a reflection of the power of its member states) is less influential in shaping the political trajectory of the MENA countries and more successful in designing the economic aspects of the regional political economy.

Realist works remind us of the asymmetrical power between the EU and the MENA countries, but these studies suffer from two problems. First they see the regional political economy in strict geographical terms and second they fail to explain the relationship between material and ideological aspects of power, as they do not concentrate on the role that domestic politics play in the formation of policies that shape the regional political economy. Thus, they have very crude and schematic views regarding the influence of interest groups on EU's policies in the MENA countries and they cannot fully realize the impact of EU strategies in the region.

In line with works that draw examples from critical political economy and argue that the ENP is an attempt to further integrate the Arab partners in the common market for the advantage of the EU (Hettne 2007; Holden 2009; Joffé 2007), this chapter argues that the ENP is an instrument of the EU for consolidating its position of privilege in the region. Its main assumption is that the EU relies on the provision of economic assistance and on its normative power to change political and economic aspects of the countries of North

Africa for its own interests and it attempts to reproduce this asymmetrical relationship with the MENA states through consensual means.

Yet, the hegemonic character of the EU should not be seen in schematic regional terms. The EU and the ENP partners are not homogenized entities and the domestic groups within both regions do not form one winning block that takes everything or a losing coalition that is soundly beaten. The added value of the neo-Gramscian framework that is used to explain the exploitative character of the EU is that it can identify privileged and marginalized groups within both regions.

The existence of winners and losers in both sides of the Mediterranean Sea indicates that the hegemonic nature of the EU is not the projection of the power that the more powerful states within Europe have (such as France and Germany), nor an effort of these states to accumulate more power in the region by using instrumentally the EU tools in order to dominate over the MENA economies. The EU hegemony is not state-centric, even if certain EU member states are more interested in the development of the EU-MENA programmes. It is a reflection of the dominant position of a transnational capitalist class with ties in both shores of the Mediterranean Sea.

Despite the Arab Spring, these transnational elites have managed to retain their power and influence in the region. As the following pages will show, the main principles of the EU aid towards the MENA countries have not changed significantly after the Arab revolts, which mean that the power of this class remained relatively unchallenged from below. What also should be noted here is that the emergence of the European Commission as the main mechanism for the construction of the EU aid tools highlights the fact that these elites have moved beyond the state structures to reproduce their power in the region.

The following sections demonstrate how the EU initiatives before and after the Arab Spring have supported these transnational elites by explaining the role of the EU aid tools and programmes for the promotion of democracy, and agricultural and industrial trade between the EU and the MENA countries.

Democracy Promotion as a Hegemonic Instrument

At the center of the political part of the ENP there are actions for democracy promotion. After the Arab Spring, Baroness Ashton tried to underline further the need for more reforms in this area by saying that a new ENP would be "a partnership between peoples aimed at promoting and supporting the development of deep democracy and economic prosperity in our neighbourhood" (European Commission 2011).

The idea of deep democracy does not indicate a paradigmatic shift in the EU's policies in the region. The communication of the European Commission underlines that "the renewed ENP builds on the achievements of the EU's Neighbourhood Policy since it was first launched in 2004" (European Commission 2011) and Štefan Füle, the European Commissioner for Enlargement and ENP until October 2014, said that the new approach will be drawing "the right lessons from our experience so far and addressing the challenges of a fast-changing neighbourhood" (European Commission 2011).

This gradual plan for more democracy in the MENA countries is advocated by policymakers, as it reflects the normative logic of the EU, but at the same time it takes into consideration the realities in the ground (Seeberg 2009). The Arab Spring has allowed the EU to put more pressure on the MENA partners for deeper political reforms, but serious security concerns, such as Islamism, trafficking and illegal immigration continue to exist in the region. Under these circumstances, the EU encourages the gradual political change of the MENA states, which would give time for the regimes to minimize the extremist alternatives and would guarantee both the stability and the democratic transformation of the region.

Yet, this top-down plan does not aim to fully address the political problems of the region. In fact what the EU does is to use its structural power to consolidate the power of friendly political elites. Through this prism the problematic support to the democratization of the region is not related to the inefficiency of the EU policy. It is a by-product of deliberate EU actions that promote low-key democratic changes, which instead of responding to demands for deeper democratization, attempt to mitigate political and social tensions that are produced by the local (semi)authoritative political elites.

This attitude is reflected in the content of the APs, which highlights the need for domestic reforms, but in a way that keeps the new and old regimes cooperative and predictable. The APs for the MENA countries include more references to "good" governance, which equals to the effectiveness of institutions in many issues ranging from security to money laundering (Börzel and van Hüllen 2014). This narrow and technocratic view neglects the participation of wider sections of the MENA societies in the decision making process. Moreover, when democracy is mentioned it is referenced superficially or it is related to the promotion of socio-economic rights (Teti 2012).

Socio-economic rights appear as vital parts of the democratic process, but the analysis of the EU institutions neglects the movements that promoted these rights. Civil society organizations, especially independent trade unions and non-state sponsored non-governmental organizations (NGOs), have played a crucial role in the Arab revolts, as they were key actors that mobilized dissent and they highlighted the need for more labour rights (Teti 2012). The related programmes for the promotion of democracy disregard the role that these illegal or semi-illegal groups played in the Arab uprisings and the terminology in strategy papers gives to the new trade unions a minimal role for the promotion of democracy. For example, the European Commission mentions that the creation of new trade unions only provides an "opportunity for more effective social dialogue" (European Commission 2011), meaning that these groups can play only a secondary role for the promotion of democracy after the Arab Spring.

On the other hand, the EU continues to provide conditional aid, as the "new" more funds for more reforms approach suggests. Yet, critical discourse analysis shows that the criteria for the provision of aid have actually become very narrow and that the EU has separated civil-political rights from socio-economic rights. The former can be measured by the existence of elections and the latter are relegated to the realm of development and economic growth (Teti 2012).

By linking socio-economic rights to economic development, the EU links democracy to strong private property rights, free markets and free trade. The role of the MENA state is to guarantee the legal structures and functions and allow such practices to operate in a free market. This neoliberal logic of democracy promotion suggests that an independent business sector with stronger political voice will emerge. The new actors will foster growth and build new political coalitions and preferences, which in turn result to more democratic institutions.

Yet, the history of this practice indicates that this neoliberal logic serves the interests of strong business groups, which have preferential ties with the regimes of the MENA countries and it allows the state elites to exploit the "economic miracle" that occurs in the era of privatizations. The examination of the largest EU programmes for democracy promotion in Egypt is a very good example that shows the work of the EU in this area. According to the European Court of Auditors the EU funds for the promotion of democracy and anti-corruption made only cosmetic changes in the country (European Court of Auditors 2013). Despite the many EU-funded projects, human rights did not improve and the local elites continued to thrive and benefit from the misallocation of the country's resources. In other MENA countries the economic liberalization, which in theory would lead to less intervention by the "inefficient" state and more democracy has actually allowed the undemocratic regimes to survive and to deeper penetrate into the MENA societies.

This happened through novel models of dependence that emerged during the neoliberal transformation of the MENA economies. This transformation allowed European banks to buy assets through questionable procedures (such as the privatization of the Tunisian Banque du Sud (the sixth largest Tunisian bank) by a consortium of Spanish and Moroccan banks in 2005) (Oxford Business Group 2012) and authoritative regimes to exploit the volatile economic environment by using solidarity banks for political patronage (Tsourapas 2013) and to manipulate the political landscape of the countries.

The fact that the EU does not attempt to confront deficiencies in the political systems of the MENA countries does not represent a paradox between the EU norms and the promotion of democracy in the region. The inclusion of ambiguous and non-binding language in the APs allows the EU to support friendly regimes, which pursue a specific type of modernization and neoliberal policies. Through this prism the democracy promotion programmes should not be considered as a failure, as they were never intended to serve the normative ambitions of the EU. They were instrumentally used for consolidating the power of the political and business elites in the region.

The EU-led Agricultural Reforms and Initiatives in the MENA Region

The main objective of the agricultural part of the ENP APs is the same for all the MENA countries and its main goal is to facilitate agricultural trade between the EU and the partner countries (European Commission 2004a, b). Moving beyond the sensitive negotiations for quotas and tariffs, the APs focus on non-tariff barriers (NTBs) for opening agricultural markets and preparing the MENA countries for getting a greater stake of the EU market.

High NTBs hinder the agricultural trade between the EU and the MENA countries (Emlinger et al. 2008), but what is important here is that the carrot of the greater access to the EU market that the EU has promised to the MENA countries was followed, since the Barcelona Process, by the reciprocal openness of the MENA markets leading many European investors to the other side of the Mediterranean Sea. In Tunisia the majority of the foreign owned companies belong to European investors (FIPA 2006) and in Morocco the privatization schemes that were implemented after the ENP attracted French and Spanish farmers who expanded their operations in North Africa ("A new national strategy for agriculture" 2008).

According to the prevailing neoliberal logic, these foreign direct investments (FDIs) would allow new actors to emerge in the local economies and could decrease the dominant position of (counterproductive) states in the organization of the sector. Moreover, FDIs bring technical expertise to the MENA markets and create more jobs for local people.

Yet, these are not the only results of FDIs. The increasing internationalization of the South European agricultural sector has allowed the expansion of a transnational agricultural block with arms in both sides of the Mediterranean Sea, which has strong ties with the political elites of the MENA countries. The result of this relationship is that the MENA states allow transnational companies to benefit from guaranteed prices of food products, while on the other hand they set wholesale and retail prices that hit small producers (Minot et al. 2010, p. 105).

At the same time, the liberal restructuring of agriculture was supported by the EU, as it would lead to improvements in the organization of the sector and to the capital stock of the MENA countries (Directorate General for Economic and Financial Affairs 2005). But achieving inclusive growth through restructuring policies requires complementary measures in order to support small farmers, such as access to credit. In MENA countries access to credit for small farmers remains highly problematic and in most cases these schemes increased the price of land and the more fertile farms have passed to the hands of few local large landowners (Jouili 2009).

Furthermore, an additional burden for small-scale farmers in MENA countries is related to the Sanitary and Phyto-Sanitary controls (SPS) (Cadot et al. 2012). These controls are among the key actions of all the APs as they secure the safety and quality of agricultural products. However, it is important to consider the impact of the SPS controls on the agricultural sector of the MENA economies. According to many analysts, SPS controls have impeded agricultural trade between developing and developed countries, by imposing import bans, by discriminating supplies or by raising costs (Henson and Loader 2001; Jaffee 1999; Petrey and Johnson 1993; Sykes 1995). The high cost of compliance varies and depends on the size of farms and crops, but in some developing countries can exceed US$200,000 per plant (Henson and Loader 2001) meaning that they are only affordable by a very small number of farmers. As a result, the structural inequalities between the "global North" and "global South" have been further entrenched.

After the Arab Spring, the EU changed its rhetoric and terms such as inclusive growth and support to small producers appeared in every official document and strategy paper of the European Commission. In the agricultural sector these promises were operationalized through the creation of the European Neighbourhood Programme for Agriculture and Rural Development (ENPARD) in 2012.

The programme relies on older (and according to the European Commission successful) initiatives in East Europe and the Balkans and its main aim is to modernize and expand the agricultural production of the MENA countries (European Commission 2012). In its current pilot phase the programme is implemented in Egypt, Tunisia, Morocco and Jordan.

Yet, even if it is at a very early stage some elements of ENPARD clearly show that the EU only very slightly deviated from the track it followed before the Arab revolts. ENPARD continues to support existing national strategies of the four countries (European Commission 2012) and it offers technical assistance only for the production of export-oriented crops. For example, in the Action Fiche for the implementation of the programme in Egypt it is clearly stated that the expected main activities include support to "main commercial crops (olives, figs) processed locally" (European Commission 2013) and the Tunisian version of ENPARD highlights the need for the better connection of the domestic production to markets (CIHEAM-IAMM n.d.).

To better connect to the EU market, farmers from the Arab Mediterranean countries must significantly improve their skills and the quality standards of their products. For the former issue ENPARD acknowledges the limited access for small landholders to financial tools that can help them improve their output, but at the same time it sees their "lack of technical/managerial skills" (European Commission 2013) as the main problem of the rural parts of the MENA region. The problem here is that besides some workshops that are organized in the region, the new EU programme does not provide adequate support to small producers and in the past the lack of such skills was used as a vehicle for policies that deregulated the land market (Cheterian 2010).

The latter issue (rise of food standards) may benefit customers but, as shown earlier, it does not allow small producers to participate in the wider agricultural market. What is anticipated from stricter controls is the increase of the costs of the phyto-sanitary certificates. Financing rural infrastructure and funds to young farmers could somehow mitigate the increasing costs of compliance with the EU rules, but it remains to be seen how much money will be devoted to these areas and how the funds are going to be allocated to the modernization of private or state packing houses. So far, judging from the implementation of the same programmes in the Balkans, support to rural infrastructure was questionable (Knudsen 2013). In addition, the phyto-sanitary certificates penalize the agricultural trade between south partners, as harmonization with the expensive EU standards imposes higher costs to domestic farmers without adding any competitive advantage when exporting to third countries (Cadot et al. 2012, p. 5).

Under these conditions, the ENP continues the neoliberal transformation of the agricultural sector that has started since the 1980s and continued during the Barcelona Process. This transformation condemns large parts of the agricultural sector and the post Arab Spring programmes seem unable to stop the uneven development of a dual agricultural market in the MENA countries.

This dual market has on one end a winning coalition of European companies and large local exporters, which has established ties with the political regimes (old and new) and benefits from the implementation of the EU programmes and openness of the markets, and on the other the subsistence farmers, who are excluded from the related projects. Under these conditions, the chances for ENPARD to become a programme that successfully promotes inclusive growth in the rural areas of the ENP partners are slim.

The EU-led Industrial Reforms and Initiatives in the MENA Region

For getting a greater stake of the EU market, the industrial part of the ENP asks from the MENA countries to harmonize their legislation to the EU standards and to conclude a conformity assessment agreement.

According to the EU, Agreements on Conformity Assessment and Acceptance of Industrial Products (ACAAs) are "a specific type of mutual recognition agreement based on the alignment of the legislative system and infrastructure of the country concerned with those of the European Community" (DG Enterprise and Industry 2013).

The added value of the ACAAs is that it decreases the costs of bilateral trade between the EU and the MENA countries as industrial products from the latter states can enter the EU market without additional border controls. But for concluding the ACAAs, the MENA countries must improve their standardization, accreditation, conformity assessment and market surveillance infrastructure and to select at least three priority sectors for the harmonization of their standards.

These priority sectors are similar for the MENA countries, but what is more important is the basis on which they are selected.[2] According to the

[2] The priority sectors for most MENA countries are the following: electrical appliances, construction products, pressure equipment, medical devices (European Commission 2009; 2011).

EU acquis, the selected sectors must be consistent with the "new approach" to harmonization. This approach was adopted in 2008 and "leaves the definition of technical requirements to the economic actors" (DG Enterprise and Industry 2012). This deviates from the previous standardization process, which was organized by states and helps the European companies to penetrate deeper into the MENA markets, while at the same time MENA companies, especially the Small and Medium Enterprises (SMEs) face the costs of the process. This happens because it is the EU industries that set the regional standards. The innovation ranks clearly show the advantage that EU SMEs have in this area, as 47.2% of them are innovative contrary to the less than 5% of the MENA SMEs that have patented industrial products (DG Enterprise and Industry 2008).

This standardization process does not only strengthen the position of European private actors, as they are always a step ahead, but the harmonization of the standards of the MENA countries keeps the local private actors enclaved into the EU markets, as they find it easier to trade with the EU. This situation has important ramifications for the intra-Arab trade, as the volume of trade growth between the Arab partners is lower than the bilateral trade with the EU.[3]

These conditions distort the logic that inspires the integration of developing countries, which is based on the gains that they could have from the reduction of the trade barriers that exist between them. Moreover, some initiatives that come from the MENA countries for increasing regional trade, such as the Agadir Agreement,[4] rely on EU standards and instead of protecting the local industries from uneven competition, the profitability of domestic investments is undermined by the hegemonic position of European companies in the region.

This pattern of exploitation has not changed significantly after the Arab Spring. At the heart of the EU programmes, neoliberal ideas for the promotion of industrial trade and the development of the region remain strong. Technical support to the MENA countries is given for the conclusion of the ACAAs and the twinning projects for the sector allocate EU funds for enhancing the technical and institutional capacity of the local accreditation authorities. Moreover, the Euro-Mediterranean industrial cooperation programme for 2014–2015 offers help in making the business environment of

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[3] For example, none of the four members of the Agadir Agreement trades more than 3% of total imports and exports with the other three partners. Trade is also minimal among the five members of the Arab Maghreb Union, within which intraregional trade represents more than 3% of total imports and exports only in Tunisia ("Beefing up intra-MENA trade," 2015; López-Cálix et al. 2010; Talani 2014).

[4] The Agadir Agreement is a free trade agreement between Egypt, Jordan, Morocco and Tunisia. It was signed in Rabat in February 2004 and came into force in March 2007. The Agreement is open to further membership by all Arab countries, but these must first have an Association Agreement with the EU.

the MENA countries more transparent and predictable for FDIs (European Commission 2014) and funds for reducing the legal risk of infrastructure investment projects (European Commission 2014), usually undertaken by groups of European companies and local firms that belong to the elites.[5]

Actually what the new governments in the region have done after the Arab Spring is to form new deals with companies connected to the political leadership and to offer them new special privileges and favourable access to markets, credit and government services (Morsy and Zouk 2013). Reports from international institutions mention the inability of MENA states to remove the obstacles that SMEs continue to face after the Arab Spring and the disadvantaged position that they are in when compared to larger companies. A series of problems related to information asymmetry and the privileged relationship that larger companies enjoy with lenders continue to benefit big enterprises (OECD/The European Commission/ETF 2014).

A good example that demonstrates that the development of local SMEs is not among the priorities of the post Arab Spring governments is the lack of interest that they showed in the only EU programme that could offer some potential help to the SMEs of the region. The COSME programme (for the COmpetitiveness of SMEs) runs from 2014 to 2020, but after the Arab Spring its scope extended to all the ENP partners. The budget of the programme is €2.3 billion, which makes the programme a significant potential pool of resources for Arab SMEs. Yet, according to the European Commission the MENA states have not shown any "formal expression of interest to join COSME" (European Commission 2015).

This situation shows that the hegemonic patterns that existed before the Arab Spring do not belong to the past. The industrial policy of the new (and old) administrations of the MENA countries perpetuates the power of already established groups. At the same time, the hegemonic narrative of the EU that sees the integration of the MENA markets as the only solution to the perennial developmental problems of the region continues to receive technical support, but instead of mitigating the gap between small and large producers, these tools help European companies to penetrate deeper into the MENA markets.

[5] A very good example is the DESERTEC project which aims to bring renewable energy from North Africa to the EU. The names of the most important European companies that take part in the project are the following: Munich Re (Germany), RWE (Germany), E.ON (Germany), Deutsche Bank (Germany), M & W Group (Germany), Siemens (Germany), Schott Solar (Germany), Flagsol (Germany), ABB (Germany), Abengoa Solar (Spain), Red Electrica (Spain), Enel Greenpower (Italy), Terna (Italy), Saint Gobain (France). There are also two North African companies: Cevital (Algeria), Nareva (Morocco) (Van Niekerk 2010, p. 4). Nareva, which joined the project in 2010, is owned by Omnium Nord-Africain (ONA), the largest Moroccan conglomerate controlled by the royal family (Stromsta 2010).

Conclusion

Linkages between democratization and economic reforms have been at the centre of the ENP. After the Arab Spring the EU committed itself to the promotion of deeper democratic reforms and to more sustainable solutions that would lead to a reshuffling of wealth in the MENA countries. Liberal supporters of the policy perceived the APs as soft tools, which, despite their technical problems, could help these countries to get a bigger stake of the EU market and to pursue democratic reforms that could bring larger segments of the MENA societies into the decision making process. On the other hand, realist assumptions of the regional political economy are state-centric and cannot fully explain the emergence of transnational elites that benefit from the EU external policies.

This chapter argues that, despite the rhetorical differences of the strategy before and after the Arab revolts, the priorities of the EU remained almost unchanged. By examining the ENP through neo-Gramscian lenses this chapter showed that the ideas of deep democratization and inclusive growth are used instrumentally by the EU for the reproduction of power of already privileged groups within the EU and the MENA countries. Going beyond state-centric conceptions of hegemony, this work conceptualizes the idea of hegemony as a condition that allows the transnational expansion and consolidation of neoliberal ideas despite the different messages of the Arab revolts. This notion of hegemony is supported by the EU financial assistance and regional initiatives and it leaves undisturbed the (semi)authoritative regimes of these countries and business groups that enjoy privileged ties with these political elites. Under these circumstances the ENP cannot support the demands of the local people for more democracy and balanced distribution of wealth.

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22

International Political Economy in Latin America: Redefining the Periphery

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Introduction

Latin American economic thought is known for its contributions to the theory of development and dependency studies in the mid-20th century and its more recent critiques of the region's *development models* and search for new economic paradigms. Even if Latin American authors are often praised and cited in academic and political debates, some confusion still exists about their arguments and standpoints. This chapter aims to address the limits of current interpretations of Latin American economic thought by providing a critical overview of major strands of theory and policy formulation on economic development in the region since the 1940s. Due to space limitations, it will not be possible to explore each scholar and discussion visited here in full detail, nor will it be possible to discuss the majority of Latin American political economists that are relevant to the debate on development. We have selected the contributions and reflections that are key for critical analysis on development theories in the 20th and 21st centuries.

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This chapter also includes critical perspectives from Latin American social movements on the historical and current analysis on economic policies. The goal is to show that Latin America produced theoretical and practical knowledge in the field of international political economy (IPE) based on its experience as the “periphery”. Intellectual and political activism in the region redefined the periphery as a space for the production of critical analysis vis-à-vis liberal theories and as space of resistance to neoliberalism and other imported models of economic and social life.

ECLAC and the Quest for Capital Accumulation in the Periphery

The economic theories that influenced Latin America the most are based on the work of the ECLAC (Economic Commission for Latin America and the Caribbean), which generated different formulations of its development theory. ECLAC emerged in the context of the building of the post-World War II international system, which combined liberal ideas reflected in the establishment of norms and multinational institutions (such as the International Monetary Fund (IMF), the International Bank for Reconstruction and Development (IBRD) and the United Nations (UN) system), as well as domestic interventionist policies adopted by Western states which were aimed at stabilizing their societies through a political setting that has been called “embedded liberalism” in IPE literature (Ruggie1982, 1993).

Focused on the role of nation-states, these domestic policies included state investment in education, health and social security as ways to stimulate domestic markets. Internationally, the adoption of the US dollar convertibility to gold for international trade served to maintain stability and guarantee liquidity on the global market. It also constituted a fundamental factor for maintaining the hegemony of the United States among its Cold War allies. Those were the days of the glorious “Golden Age” of Western capitalism (Hobsbawm 2000: 255).

Viewed from the periphery, international relations seemed to offer some opportunities as Latin American countries enjoyed an active role in the creation of the UN in 1945. While decolonization struggles were still ongoing in large parts of Asia and Africa, Latin America was mainly composed of sovereign states that had obtained international recognition in the early 19th century. This legal status of statehood allowed the region to influence some of the early decisions of the multilateral organizations created as part of the UN system. After overcoming strong resistance from the United States,[1] the UN Economic Commission for Latin America (UNECLA) [today, ECLAC and CEPAL, in Spanish or Portuguese][2] was created in 1948 by the UN Economic and Social Council.

The goal of the new commission was to promote economic research in the region, gather reliable data, and serve as a forum for academic and political discussions about development strategies in Latin America. Its early years were marked by the predominance of "classic" *developmentalists,* as opposed to liberal-oriented economists. Since the 1990s, however, there is a growing tendency at ECLAC to embrace more market-oriented approaches.

ECLAC's theories sparked intense debate because they rejected the prevailing development model—based on free trade, export of primary goods, and financing by foreign investors—offering a new one in which the role of the state was to boost internal markets and promote national, as well as regional, integration in order to better participate in trade and financial relations abroad. The objective of this policy was to fight unemployment, reduce inequalities, and overcome the international division of labour that maintained Latin American countries in the position of exporters of raw materials since colonial times. ECLAC proposals defended a model of development according to the specificities of each country, especially if those countries belonged to different types, like the "core" or the "periphery" of the world economy. For instance, for peripheral countries, unorthodox policies, such as protectionist measures for national industries or controls on capital flows, should not be considered as economic mismanagements by default, as different historical conditions demanded non-universalist theorizing as well, according to ECLAC's view.

Some of the main references for the ECLAC's initial approach are the works of Raúl Prebisch (The *Economic Development of Latin America and its Principal Problems*, 1949) and Celso Furtado (*Capital Formation and Economic Development*, 1954). According to this approach, foreign trade should serve national development interests in order to advance beyond the core -periphery condition in international economic relations. ECLAC criticizes the liberal "comparative advantages" theory that defends the idea that certain national economies should specialize in the production of raw materials while others in manufactured or industrial goods.

[1] According to Poletto (2000: 7), *"the creation of the ECLAC, by the UN, was highly controversial. Demanded by the Latin Americans, it was met with strong resistance from the United States, which did not agree with the creation of an organism in the region that could possibly escape from its control".*

[2] In 1984, a resolution was passed to include the Caribbean in the commission's name. Today, it has 20 members from Latin America, 13 from the Caribbean and 11 from outside of those regions.

The ECLAC's main goal in the 1950s and 1960s was to produce original research and policy developed by Latin American authors using their own tools of analysis. After delivering a study as an external consultant to the ECLAC in 1949, Argentinean economist and former central banker Raúl Prebisch was named its executive secretary. Some at the academic community composed of Latin American economists and civil servants called this work the "Latin American Manifesto" or "Prebisch Manifesto" (Iglesias 2006).

Prebisch (1950) elaborated theoretical explanations and policy proposals for the development of Latin American countries based on his empirical research on the "*declining terms of trade*". According to his observations, "peripheral" countries could not rely on policies based on Ricardian "comparative advantages" doctrines that defended the specialization of their economies in the export of primary goods. Prebisch (1950) observed that since the last quarter of the 19th century, raw materials prices were declining in comparison to those of industrial products, which were largely concentrated in Europe and the United States. In Prebisch's (1950) assessment, this international division of labour (and rewards from trade) generated fiscal deficits for exporting elite sectors in Latin America, which in turn did not allow for the state to create a welfare state system or "minimal income" policies, as the necessary economic surplus was simply not available. In such conditions, Latin American countries could not advance their "development", which Prebisch (1950: 2) defined as "elevating the standards of living of the masses".

Theoretically, the so-called Prebisch-Singer[3] hypothesis attempted to provide an economic explanation for the *declining terms of trade*. One criterion was the usual level of technological innovation in the manufacturing sector, in comparison with the agricultural one. According to Prebisch (1950), "technical progress" does not necessarily reduce the final prices of industrialized products when they are sold to the periphery, as orthodox economists claimed. Rather, the reduction in costs of labour, maintenance and machinery at the "core" is transformed into either profits or wage increases at that same centre of the world economy. In both situations, the final price is kept "artificially", that is, politically, high. Since both business associations and workers unions tend to be stronger in industrialized countries than in the *periphery* of capitalism, the prices of industrialized products were maintained at a higher level in comparison to raw materials exported by Latin American countries. Additionally, Prebisch (1950) observed that there was a lower *elasticity-income*

[3] At the same time as Prebisch developed his work, the British economist Hans Singer also came to similar conclusions, working separately. Because of that, the hypothesis frequently receives the name of both economists in Anglo-Saxon literature on the topic, whereas in Latin America few people acknowledge Singer's alleged merits or even the existence of his contribution to the debate.

rate for foodstuffs than existed for industrial products, generating a disturbance in "normal" trade relations in disadvantage of peripheral countries, which had a demand ceiling for their export products.

Finally, Prebisch (1950) envisaged the deleterious role that industrial substitutes for natural goods could have for peripheral countries' bargaining power on trade negotiations because industrialized nations had the capacity to control prices as they could gradually diminish their import necessities by synthetically producing what was once found only on tropical lands in their own industries at home. Peripheral countries had no such option. Prebisch's (1950) solutions were multifold, but the crucial one was that Latin American countries should also participate in the world market as industrialized nations too, because remaining simply raw material exporters or even sites of spasms of industrialization whenever the "core" faces a crisis, would prevent the necessary capital formation to "development".

In such scenario, trade deficits, fiscal imbalances, monetary inflation and chronic difficulty to accumulate capital in the form of reserves like the sterling or the dollar (or gold) were just the visible consequences of a deeper problem that, according to Prebisch's (1950) beliefs, relied at the fundamental differences in the character of the economies of the "core" and the "periphery". In that same vein, leading ECLAC's economist Celso Furtado (1954) concluded that one of the obstacles to the development of Latin American countries was the existing labour surplus that tended to lower workers' remunerations. For the author, the increase in productivity in primary sectors was not enough to raise wage levels and generate domestic savings to the point where it allowed for new investments to be made. This is why he, following Prebisch (1950), also defended industrialization as a way of retaining capital internally and raising wages and productivity levels.

Their argument meant that industrialized sectors with a higher degree of productivity in Europe or North America increased their profit rates thanks to their unequal trade relations with less innovative economic sectors, such as the agriculture or mining sectors in Latin America. Their goal was to change the unequal international division of labour they believed was responsible for decreasing the bargaining power of Latin American countries in their commercial relations with Europe and the United States. Therefore, it was important for the ECLAC to propose common economic strategies for countries in the region.

At the heart of these strategies, the ECLAC defended properly designed industrialization policies (not just the traditional "reflex" industrialization spasms that existed since the late 19th century in cities like Buenos Aires or São Paulo) and investments in local technology with the goal of strengthening national manufacturers, both public and private, and, hence, capital formation in Latin American countries. Their proposals included mechanisms to protect domestic markets, such as safeguards and anti-dumping measures, primarily in strategic sectors of the economy, as well as a more strategic role that had to be performed by elites at the "core": in ECLAC's view they had to understand that the development of Latin America was to the interest of rich countries as well, especially on the ideologically divided world of the 1950s and 1960s; thus, conditions of financing, debt renegotiation and, crucially, trade relations had to be changed in favour of peripheral countries—but in order to benefit all.

These policy proposals presented a reformist view of capitalism whose concern was to prevent economic inequalities from worsening, as it could lead to growing support for socialist ideas in the Cold War context. Prebisch's (1950) proposals cannot be considered "radical" for the time, as some of his main references were classic liberal thinkers such as Adam Smith and David Ricardo, and his proposals coincided with Keynes' views on the state's role in promoting economic development. As the head of ECLAC for 14 years, Prebisch's ideas were very influential. He played an instrumental role in the creation of the *United Nations Conference on Trade and Development* (UNCTAD), where he served as secretary-general from 1963 to 1969. His ideas marked a whole generation of Latin American intellectuals from not only ECLAC, but also other schools of thought—both conservative and Marxist ones.

In Brazil, ECLAC was strongly influenced by (and influenced upon) economist Celso Furtado, who created important state institutions such as the BNDE and SUDENE.[4] He served as the Minister of Planning in 1962 and as the Minister of Culture in 1986. During the military dictatorship (1964–1984), Furtado's name appeared on the first list of banned people and he was forced to flee the country and live in exile in France, Britain and the United States, where he worked as a professor and wrote extensively on Brazilian and Latin American development dilemmas.

Whereas Prebisch's critique focused on international trade structures, Furtado's (1974) most powerful contribution was his critical analysis of Walt Rostow's modernization theory (1960). Furtado contested Rostow's generic view on "stages of economic growth" that every country had to "go through on the road to development". Rostow saw development as a process of "jumping from one stage to the next", starting from "traditional society" until reaching the "mass consumption era" (Rostow 1960: 15). According to Furtado (1974), this model had similar epistemological problems as the *comparative advantages*

[4] The Superintendency for the Development of the Brazilian Northeast (Superintendência do Desenvolvimento do Nordeste, SUDENE in Portuguese) was conceived and headed by Furtado. BNDE is the Portuguese acronym for the Brazilian Development Bank (Banco Nacional de Desenvolvimento Econômico).

theory because it did not take into account particular historical experiences and defined a single path for development, as if Latin American countries were supposed to adopt "more advanced" models in a mechanical way.

Furtado (1974) questioned the notions of "modernization" and "development" in his book *The Myth of Economic Development*. He explains that "modernization" can lead to "underdevelopment" given the core-periphery structure of the international economy. While accusing peripheral elites of "cultural dependency" because of their imported ("mimicry") of patterns of taste, Furtado (1974) demonstrates the distortions in productive systems brought on by the "modernized" demand of the wealthy classes of society.[5] This mimicry resulted in an industrialization process that did not overcome "underdevelopment", but rather reinforced it, as it generated a dangerous duality in the productive systems, consumer markets and wage structures of Latin American economies and societies. While Latin American elites monopolized capital, the means of production and political power, most Latin Americans lived in situations where money was virtually inexistent and were subject to intense labour exploitation.

In sum, the duality was not restricted to trade relations and consumption patterns, but evolved into society itself, creating the notorious "structural heterogeneity" that characterized ECLAC's analysis of Latin American countries for many decades (Conceição Tavares 1972: 190; Furtado 1974: 88; Pinto 1973: 36; Pinto 1976).[6] Such heterogeneity implied a deep disconnection between two separate strands of society—the wealthy, modernized minority; and the vast majority striving to subsist—captured by the "dual society" idea, which illustrated Latin American social landscapes as if "two worlds" lived side by side to each other. This level of economic fragmentation made it difficult to consolidate internal markets and tackle growing unemployment, let alone social and regional inequalities. To Furtado (1974), the most important task, i.e. "development", meant precisely to overcome this "dual structure" of Latin American societies. By contrast, further "modernization" would lead to less development, as

> Underdevelopment is the condition of a country where the patterns/level of demand of a modernized minority does not adjust to the level of capital accumulation of the whole economy. (Furtado 1974: 82–83)

[5] He also calls the peripheral elites "cultural satellites" and blames them, in the last instance, for the regions' underdevelopment (Furtado 1974: 88–92).

[6] To be rigorous, Conceição Tavares (1972: 189) already claims that ECLAC's concept of "structural heterogeneity" is much more complex than just a "simple dualism". Attacking "neodualist" thesis of her epoch, she doubts that "modern and primitive strata [can] dissociate from each other, tending to live ever more apart and autonomously", arguing that "heterogeneity" was still increasing, while "duality" itself was decreasing, or might not even have been there (Conceição Tavares 1972: 190). On the other hand, she also was not satisfied with "totalizing" or holistic approaches, such as fellow ECLAC's Oswaldo Sunkel (1970), in which he was also joined by dependency theorists, that could lead to exaggerations regarding the role of "international capitalism" on Latin American societies.

His critique of modernization theories continues to be an important theoretical reference even today.

Another important ECLAC author was Maria da Conceição Tavares, who was very influential for her work on the "model" of *import substitution*, especially through her collection of studies entitled "From Import Substitution to Financial Capitalism" (1972). She provides a detailed critique of the type of industrialization that emerged in Latin America (*import substitution*), which was radically different from the "Industrial Revolution" in Britain and the United States. It also greatly differed from the so-called "Prussian Way" adopted in Germany or the strong and fast industrialization that took place in Japan following the Meiji Revolution in the 19th century.

According to Tavares, Latin American countries continued to be dependent on industrial imports even after they had reached a certain level of industrialization. Going against common sense, she harshly criticized the import substitution "model" through which the region was erratically industrializing itself. Tavares (1972) shows that even though some industrial imported items may have been "substituted" for domestic ones, the overall level of imports of industrialized goods actually went up (as did the volume of capital outflows) during the operation of the *import substitution* model',[7] which only deepened the constant crisis of capital accumulation even further. In fact, as her study shows, *import substitution* was not a "strategy" as such, but rather a somewhat spontaneous reaction to sudden disruptions or "externalities" (like Great Depressions or World Wars) in international trade. Since the late 19th century, every time a depression or major war in Europe has occurred, there has been a manufacturing boom in Latin America. The first textile industries in cities such as Buenos Aires, Santiago or São Paulo that date back to the 1880s and 1890s are cases in point.

Moreover, *import substitution* also stimulates the emergence of the same industrial sectors all across Latin America (textile, beverages, civil construction, metallurgy, etc.). Even though under favourable, contingent conditions, countries like Brazil could have enjoyed high rates of growth precisely during the *import substitution* era (1930–1960s), that "model" also prevented most countries from attaining a level of specialization and monopolization that could generate economies of scale—thus, more chances of capital accumulation. In a remarkable formulation, she states that the historical process of industrialization on Latin America was "like constructing a building from

[7] Add to that, the costs of raw materials function as the basis of industrialized circuits, such as oil and carbon, which none of Latin American countries had (except for Venezuela), but were gradually more needed in the region as the process of industrialization went ahead.

top-down" (Conceição Tavares 1972), that is, first substituting final goods, then striving to substitute equipments and capital goods, with varied degrees of successes and failures across the region. She concludes that, although historically imposed on Latin America, this type of industrialization may be detrimental to national economies, as peripheral countries end up remaining hostage to the conditions of foreign trade and finance, only now in a whole new level—an industrialized one—which is a situation that does not set up the conditions for sovereign development strategies.

Dependency Theory and its Different Lines of Thought

With the Cold War heating up in Latin America after the defeat of the Batista Regime in Cuba in 1959, conservative forces, with the support of both the public and private sectors, tried to prevent grassroots movements from demanding social change by defending the need to increase "hemispheric security". When the series of US backed military coups started in 1964, the intellectual vanguard of Latin America elaborated new critical perspectives on economic development, such as the dependency theories.

As Octávio Ianni (1971) remarks, the rapid dissemination of the term "dependency" was a signal that it could serve as an umbrella for heterodox and Marxist theories: "semantic resources in order to make pass (in universities, publishing companies, magazines and newspapers) the discussion and the study of imperialism". For Marxists, the concept worked well to explain the "external obstacles that led to the stagnation or distortion of capitalist development in Latin America" (Ianni 1971: 164).

As Ianni, Florestan Fernandes (1974), Atílio Boron (2008) and other authors indicated, dependency theories were more than just a "double-euphemism" (Ibid., 164). The concept became a crucial social science tool for explaining a situation of (1) "subordination" in relation to foreign decision-making processes, and (2) the constant "extraction of economic surplus" by centres of capitalist power. At a time when theories of economic "interdependence" were also becoming fashionable, Latin American intellectuals warned that economic relations were not becoming horizontal or cooperative; instead, they were even more vertical and hierarchical than before, as "imperialist integration" advanced (Marini 1965).

Dependency theories have not only multiple strands and epistemic-political agendas, but also several intellectual interlocutors as well. Notwithstanding this diversity, virtually all dependency theories dialogue with the ECLAC and other developmentalist strategies that preceded them. They can be divided into two groups. One line of theory has been characterized as "sociological" and is associated with authors such as Fernando Henrique Cardoso and Enzo Faletto (1970). These authors observe the incapacity of the so-called "dependent bourgeoisies" to promote national development in Latin America. They argue that the growth of peripheral economies depends on alliances with foreign capital; Latin America's development had been *dependent and associated*. The upper fraction of bourgeoisies from the periphery—that is, the ones that have already reached the monopolist stage—prefer to associate themselves to foreign capital rather than combating it. They, thus, accept the subaltern position of "minor associate" of imperialist centres in order to accommodate the interests of both local and transnational capital in a contingent—yet real and testable through empirical research—political and economic arrangement.

The other line of theory is Marxist. It analyzes the dynamics in which development generates underdevelopment (Gunder Frank 1966; Francisco de Oliveira 2003). These processes are visible in Latin American countries, which maintain high levels of poverty, social inequality and labour market informality, and are undergoing intense migration from rural to urban areas.[8]

In his study *The Structure of Dependence* (1970), Theotônio dos Santos laid out a historical account of the relations between Latin American economies and major Western powers, in which phases of dependence follow one after the other. Hence, "colonial dependence" was replaced by "financial-industrial dependence", which was substituted by "technological-industrial dependence" after World War II. Santos describes the impacts of multinational companies' relocating their industrial plants to the periphery while "investing in industries geared to the domestic markets of underdeveloped countries" (Santos 1970: 232).

Gunder Frank (1966) believed that, in theory, there is no limit to the eternal process of recreating new metropolis-satellite (as he calls *core-periphery*) relations. New centres of capital accumulation can always emerge, or "develop", even within peripheral zones. They can extract surplus capital from satellite regions around it and reproduce the conditions that made peripheries underdeveloped in the first place. Thus, the development of new areas always comes at the expenses of others, which explains the logic captured by his famous title *The Development of Underdevelopment*.

[8] Even though he is not a dependency theory author, the work of Caio Prado Jr. (1976) is worth mentioning here. Prado Jr. highlights that the Brazilian economy has been geared towards the export market since the colonial period. For him, the country's subordinate position in relation to the international market was not transformed during the so-called "economic miracle" promoted by the military dictatorship in Brazil in the 1970s. Industrialization in Brazil was driven mainly by foreign capital and benefitted transnational corporations, which generated technological dependence.

Frank disagreed with the idea that Latin American economic problems were due to "archaic" societies that allegedly "lack capitalist policies". He demonstrates that inequalities increased in the continent due to constant foreign intervention and the dominance of capitalists since colonial times. Before colonization, Latin American countries "were never *underdeveloped*, though they may have been *undeveloped*" (Gunder Frank 1966: 2—our emphasis). His critique of "the entire dual society thesis" included Rostow's modernization schemas and the ECLAC's "developmentalist illusions":

> They will not be able to accomplish these goals by importing sterile stereotypes from the metropolis, which do not correspond to their satellite economic reality and do not respond to their liberating political needs. To change their reality they must understand it. For this reason, I hope that better confirmation of these hypotheses and further pursuit of the proposed historical, holistic, and structural approach may help the peoples of the underdeveloped countries to understand the causes and eliminate the reality of their development of underdevelopment and their underdevelopment of development. (Gunder Frank 1966: 11)

Most Marxist dependency theorists shared Gunder Frank's "historical and holistic" approach. Ruy Mauro Marini sought to understand dependent capitalism in terms of capital accumulation on a global scale, which led him to elaborate the basis of the political economy of dependence. For Marini, the world market contributed to generate relative surplus value as the increase in productivity in core countries and the crisis of over accumulation resulted in a tendency for the profit rate to fall. Latin American markets provided lower costs of raw materials and labour, reducing the disproportion between constant and variable capital. According to Marini, the capitalist in the periphery "uses the exploitation of labor power at an even higher rate" as a mechanism to compensate for the terms of trade on the global market that are unfavourable for peripheral countries, due to the undervaluation of primary products in comparison to manufactured goods (Marini 2005). Therefore, the "overexploitation of labor" is a fundamental element of dependency, which the bourgeois classes in poor nations use to extract surplus value in order to "compensate" for the unequal exchange.

One effect of the overexploitation of labour is the rupture between the sphere of production and the sphere of circulation, since what is produced remains distant from the consumption needs of the masses. According to Marini, while consumer markets and demand for goods exist in central countries, in Latin America, the consumption of workers does not interfere in the production of a given product and is thus sacrificed for the sake of the foreign market (Ibid.: 163). As a result, the domestic market remains limited, which leaves the global market as the only outlet for production. The overexploitation of labour is fundamentally the only way to produce surplus value and explains the separation between the productive system and the sphere of circulation, which produces a form of capitalism marked by extreme contradictions (Osorio 2004).

Marini accompanied the changes in global capitalism and their implications for dependent capitalism while analyzing Brazil's role in the imperialist global structure at the end of the 1970s. According to the author, the establishment of US hegemony via the expansion of the subsidiaries of American-based corporations is too complex to be described by the simple centre-periphery model (Marini 1977: 8). For Marini, the supposed "development" of Latin America was, in fact, the result of the internationalization of the domestic markets of peripheral countries based on the expansion of the global productive system. This expansion to extractive industries and agriculture and the extension and diversification of the US manufacturing industry on a global level led to a significant increase in industrial investments in Latin America, which altered the configuration of some Latin American economies. This gave rise to a new hierarchy of capitalist countries in the form of a pyramid and the emergence of medium-level centres of accumulation and capitalist powers. There is a shift from the export of manufactured products to exports of financial capital[9]—a process that Marini calls "sub-imperialism".

According to this author, sub-imperialism is the form that a dependent economy assumes when it reaches the stage of monopolies and financial capital with high levels of capital concentration and centralization, which is accentuated by foreign investments linked to local companies. The main characteristics of a sub-imperialist country are a medium-level organic composition of the productive systems and a relatively autonomous expansionist policy; however, its integration into the market is determined by central countries. For Marini, in Latin America, only Brazil meets all of these conditions.[10]

Brazilian sub-imperialism is the result of an economic phenomenon, but also the class struggle and a political project that began during the civil-military regime. Economically, it is the result of the financial boom that began in 1970 and the export of capital from central countries to Latin America, stimulated

[9] According to Marini, industrial growth is still not tied to the domestic market since this market's growth is stunted by the overexploitation of the labour force and the concentration of income.

[10] Other countries in similar conditions are Spain and Israel.

by the global economic crisis and the deregulation of the financial market. Politically, the governments of the civil-military dictatorship set up a legal and institutional framework to attract foreign funds and intervened to create or subsidize domestic and foreign demand for production. What is more, through the operations of state enterprises (namely Petrobras), they expanded Brazilian investments into other parts of Latin America and Africa. By doing so, Brazil put itself on the orbit of financial capital, attracting monetary flows, without, however, being able to fully assimilate them as productive capital. As a result, parts of them were integrated back into the international capital flow. According to Marini, though still dependent and subordinate, Brazil moved into the stage of capital exports and the plundering of raw materials and energy sources abroad, such as oil, iron and gas (Ibid.: 19).

It is important to remember that during the military dictatorships in Latin America, theoretical choices had strong political implications and could lead to life or death, freedom or torture. The differences in the fates of Fernando Henrique Cardoso and Ruy Mauro Marini are illustrative of this. Whereas Marini remained in exile until the 1980s and had little visibility in his home country, Cardoso created a "modern" social-democrat party to lead the transition to democracy, inspired by Felipe González in Spain and François Mitterrand in France (Cardoso & Trindade 1982). The Brazilian Social Democracy Party (PSDB) was responsible for implementing neoliberal structural adjustment reforms in the 1990s during Cardoso's two consecutive presidential mandates (1995–2002).

Latin America's New Economic Paradigms in the 21st Century

Dependency theory began to lose its vigour in the early 1980s, at a time when Latin American economies were entering a difficult period marked by stagnation and recurrent crises. The so-called "debt crisis" of this decade was, in part, the result of the development strategies adopted by authoritarian regimes in the previous decades. Brazil, for instance, had implemented a policy of increasing indebtedness in order to "benefit" from the excess liquidity in international financial markets during the 1970s. The markets had been flooded with cheap money after Richard Nixon's devaluation of the dollar through the United States' unilateral abandonment of convertibility in 1971, among other events. For a brief period, Latin American military regimes' policies were fuelled with resources from abroad, prompting economic "miracles", as in the case of Brazil or Chile.

However, the economic boom was to come to a catastrophic end when the US monetary policy changed again in the late 1970s. The Carter administration (with Paul Volcker as the [head] of the Federal Reserve) paved the way for the rise of interest rates, which led to astronomic increases of Latin American debt. One by one, the largest economies in the region began to default on their public debts: Mexico in 1982, Brazil in 1982 and Argentina in 1983. What followed was the "lost decade" during which these countries' access to financial markets was virtually cut off, which meant they had to face a series of crises precisely at the time of the transition to democracy.

The economic hardships would carry on into the next decade, but in a different manner. Once the "Washington Consensus" agenda was in place in the late 1980s, Latin American economies were reintegrated into the international finance system during a new phase of liquidity, which was no coincidence. With the adoption of "structural adjustment" policies and the privatization of strategic economic sectors in Latin America, transnational corporations began to exert control over productive resources and the labour market globally. Moreover, the 1990s were marked by the liberalization of exchange and interest rates on the international level. Financial market deregulation was accompanied by the creation of new investment mechanisms, which included foreign exchange derivatives and the emission of government bonds on the financial market. Belluzzo (2013) observed that these "financial innovations", such as the securitization of public debt or the derivatives market, used mechanisms of state support to strengthen private pension funds, insurance companies and banks considered "too big to fail". This process was accompanied by the spatial reorganization of production characterized by the centralization of control and the decentralization of manufacturing (global outsourcing). In his *The Long Sunrise* (1999), Celso Furtado asks, "What degree of autonomy do we still have to interfere in the design of our future as a nation?" (Furtado 1999, p. 26). He points out the limits of the neoliberal period, which he describes as post-Keynesian, in which "porous" borders allowed transnational corporations to expand their power even further. Other characteristics of this period were the abandonment of the idea of a welfare state and full employment.

The result was massive unemployment and precarious jobs, privatization, the loss of purchasing power, and an even greater concentration of wealth. In Mexico, the crisis hit in 1994—the same year North American Free Trade Agreement (NAFTA) was signed—and in Brazil, in 1999. Even Argentina, which was the IMF poster child of success during Carlos Menen's years in office (known as *pizza with champagne*), was struck by a devastating crisis in 2001.

Frustration with the impacts of "austerity" measures led to changes in government policies and the election of several progressive leaders in the region: Hugo Chávez in Venezuela (1997), Luiz Inacio Lula da Silva in Brazil (2003), Nestor Kirchner in Argentina (2003), Tabare Vasques in Uruguay (2005), Evo Morales in Bolivia (2006), Rafael Correa in Ecuador (2007), Daniel Ortega in Nicaragua (2007) and Fernando Lugo in Paraguay (2008). Their election campaigns were based on a discourse that opposed neoliberal policies.

These governments had the support of grassroots movements such as the Landless Workers Movement (MST) in Brazil and indigenous movements in Bolivia and Ecuador. The change in policy in Venezuela was inspired by a new form of *Bolivarianismo* that proposed to create the "socialism of the 21st century" (Lander 2008; Maringoni 2013). Yet, the movements' most outstanding joint accomplishment was the collapse of the Free Trade Area of the Americas (FTAA) negotiations at the Mar del Plata summit in 2005, meeting the goal of a continent-wide grassroots campaign.

With the political mandate to inaugurate a "post-neoliberal era" (Sader 2003), instead of adopting socialist goals from previous decades, these governments turned to developmentalist ideals. Their goal was to adopt an economic program that would differentiate them from orthodox monetarists, while keeping a safe distance from any "radical" reform that would threaten capital accumulation by the private sector. The result was a mixed economic model. It combined more state interventionism, including increased investment in social programs to stimulate domestic markets and mass consumption, while allowing banks and other sectors of monopoly capital to generate profits. A strong state with a solid apparatus and solid institutions was to have the capacity to regulate competition, finances and the economy in general to create a strong market in which the financial sector, for example, would be geared towards providing funding and not speculation (Sicsu et al. 2005). Sicsu et al. (2005) reaffirmed the need to consolidate the "endogenous business core" for development "with business groups capable of participating on equal terms in the highly competitive game of international trade and investment". This view defends, then, that there needs to be "strong capitalism" with a "strong business sector".

According to new developmentalism, nationalism implies "defending *capital and labor in one's country* in a world where companies compete for new markets and financial capital seeks, beyond its borders, to increase its profitability while demanding less risks" (Ibid., our emphasis). It can be observed here that the capital-labour contradiction appears to have been resolved (in terms of ideals) *within* capitalism. In theory, capital and labour work together to defend national interests from “external threats”, which, in this case, are economic vulnerability vis-à-vis the international market.

In Brazil, the state not only guaranteed the liberalization of trade and capital, but also provided subsidized credit at below market interest rates to some companies, especially those in the construction and extractive industries. In some cases, the state participates directly in these companies through its financial agents (public banks and pension funds) to direct the investment decisions of those companies. The Brazilian Development Bank (BNDES) fulfilled this role in recent years by granting large amounts of credit (to be invested in Brazil, but also abroad) in major infrastructure projects and for the extractive and agribusiness sectors. It also participates as a shareholder of many companies.

Latin American states stimulated the extractive sector (oil, gas water and mining) by providing support to large national companies (and for the national development of technology) in the sector. They also sought to attract foreign capital by providing tax exemptions, facilitating access to credit and accelerating the concession process so as to increase state revenues from the payment of royalties or increases in exports. This model was adopted, with differences among them, in Brazil, Bolivia, Ecuador and Venezuela.[11] In the case of mining, recent years have been characterized by high prices in global market, which kept mining activities profitable and stimulated exports. However, the global financial crisis of 2008–2009 brought the cycle of high commodity prices to an end. This led to a significant drop in the revenues of mining corporations all over the world, whose impacts are being felt in the region as well. The territories where they operated are left with the social and environmental consequences of these activities: soil and water have been polluted, making it impossible for peasant farmers to engage in agriculture and hindering the diversification of the productive matrix. This renders these economies extremely dependent and vulnerable.

Some theoretical strands of Latin American thought that may be referred to as “post-development” foresaw the coming of this crisis. According to these authors, development should be treated as a “discourse” (Escobar 1995) or even as “ghost” (Quijano 1999) that is haunting the imaginaries of political leaders and other sectors of societies. These actors could benefit more if they could liberate—or “delink” (Mignolo 2003)—themselves from the power-knowledge constraints imposed by the “development” agenda and mindset.

[11] One element that differentiated the politics of Venezuela, Bolivia and Ecuador in relation to other countries in Latin America was the resumption of state control over the production of oil and natural gas to increase social investments. The approval of new constitutions that expanded social participation also differentiated the policy of these countries.

Drawing on post-colonial and post-structuralist insights, post-developmentalists argue that in Latin America, modernity has always come with a certain "coloniality of power" (Quijano 2005). This coloniality must be overcome if the region and its people are to have a future in which the relations of exploitation, racism, patriarchy, authoritarianism and violence that marked its past 500 years are not reproduced. Revisiting Native American traditions and political philosophy may be one fertile avenue for (re)discovering or (re) inventing alternative life paradigms. For instance, the concept and practices of *Buen Vivir (Sumak Kawsay)*—a socially constructed cosmovision based on the ancient traditions of indigenous peoples from the Andean region—are currently being discussed by several academic researchers and policymakers.

Despite these new lines of thought, it is imperative to recall the classics. Marx reveals the *secret* of constant capital, which can only be formed from accumulated work or as the fruit of social surplus value. In the fetishist version of modernization, the development of productive forces generates unproductive labour or the "promise of labour". Marx's dialectical materialist method serves as a basis for understanding the theory of the *tendency* of the rate of profit to fall in industry and also the tendency of the rate of return from land rent to decline in capitalist agriculture. According to Marx:

> A drop in the rate of profit is attended by a rise in the minimum capital required by an individual capitalist for the productive employment of labour (…) Concentration increases simultaneously, because beyond certain limits a large capital with a small rate of profit accumulates faster than a small capital with a large rate of profit. At a certain high point this increasing concentration, in turn, causes a new fall in the rate of profit. (Marx, Vol. IV, Livro III, Tomo I, 1988, p. 180)

This analysis helps us to understand the dialectical relation between accumulation and crisis as simultaneous and permanent elements of the logic of capital, even if moments of crisis and accumulation in the world economy appear in a polarized and cyclical manner. The idea that it is possible to come up with a standard development model becomes meaningless once we understand that the very production and reproduction of capitalism does not take place if peripheral countries do not provide the accumulation of capital. In this sense, the *periphery* is just as modern as the *centre.*

Furthermore, the discussion on the Marxist theory of dependence is being taken up again with new translations of the work of Ruy Mauro Marini, which is also renewing the debate on the sub-imperialist role of Brazil and its transnational corporations in South America. However, what are the current conditions of sub-imperialism? Virgínia Fontes (2010) seeks to further the understanding of Brazil's role in the global expansion of capital. She distinguishes herself from Marini in relation to the concepts of the overexploitation of labour power and the absence of the domestic market resulting from it. According to Fontes, the lowering of the value of labour power is not a distinctive feature of the periphery, nor is it limited to it. It is a "structural truncation" of the law of value that is turning against the working classes of central countries today (Fontes 2010: 352; 356). In both the periphery and the centre, new forms of overexploitation have been emerging in recent decades: the expropriation of rights, the conversion of part of salaries into capital (through pension funds, health and insurance plans), new working arrangements with no contracts, the status of "autonomous" worker, with no limits on working days, etc. This all generates a mass of available workers who are obliged to sell their labour power below its worth. In relation to the absence of a domestic market geared towards the consumption of the masses, Fontes states that in the 1970s, this market began to be stimulated by the intense expansion of credit for consumers.

Fontes works with the "capital-imperialism" concept, which describes the historical process of the expanded reproduction of capital from World War II onwards. For the author, capital-imperialism is not a policy, but rather a form of extracting surplus value within and outside of national borders (Ibid.: 152; 154). The capital-imperialist "spiral" is largely shaped by the socialization of global production via the international expansion of transnational corporations. Its web is woven by multilateral institutions such as the World Bank Group and various think tanks and "cosmopolitan" corporate entities (Ibid.: 170–4).

The forms of struggle become, therefore, more complex than the traditional fight for national independence. Anti-imperialism in Latin America did not necessarily result in anti-capitalism. Fontes states that capital-imperialism spreads its "tentacles" by forming direct interests in secondary countries, such as Brazil, establishing itself locally, taking root in the local social, economic and cultural life, and exacerbating inequalities (Ibid.: 207–8). As the epicenter of this process, the USA forged a contradictory expansion that, through the socialization of production, allowed it to "entrench itself internally in countries that were not part of its core". As a result, the bourgeoisies of these countries began to coordinate their operations with capital-imperialist interests by investing abroad. While this guaranteed the mobility of capital, it kept labour restrained within national borders. This is how capital-imperialist tendencies originating in secondary countries, such as those that are part of the BRICS (Brazil, Russia, India, China and South Africa) arise (Ibid.: 209).

One can conclude that capital-imperialism, as explained by Fontes, is a much broader process than Marini's concept of sub-imperialism, as it addresses the structure for the expanded reproduction of capital.

Conclusion

In this chapter, we aimed to show the limits of interpretations of Latin American economic thought by providing a critical overview of the major strands of theory and policy formulation on economic development in the region. We have shown that Latin America has produced theoretical and practical knowledge in the field of IPE based on its experience as the "periphery", which it has redefined as a space for the production of critical thought vis-à-vis liberal theories and for social struggles.

The continent has a long tradition of "autochthonous" economic thought, which has always tried to refute or resist liberalism, orthodox neoliberalism and the power of foreign capital. Not all battles have been won. ECLAC was successful in showing the contradictory effects of trade in the international division of labour, but its project of state-led industrialization partially failed in the midst of the polarization brought on by the Cold War. Dependency theory clearly identified the conditions of underdevelopment and dependence in capitalism, pointing out the structural conditions of labour exploitation. Even so, it did not succeed in achieving its stated goal of awakening the masses in order to liberate the continent from foreign (and domestic) oppression and exploitation.

By the end of the Cold War, new waves of liberalism in the 1990s dragged the continent into new structural crises and intensified social resistance. In this context, Latin America was the stage for some of the most important struggles against neoliberalism in the world, such as those of the indigenous peoples and movements in Mexico, Bolivia and Ecuador, the hemispheric campaign against the FTAA, the World Social Forum process in Brazil, the piquetero (unemployed workers) movement and the occupied factories in Argentina, as well as resistance movements fighting privatization all over the continent.

These struggles, together with the crises caused by the neoliberal model, led to the election of governments that have attempted to adopt new development paradigms in the 2000s. Some countries in South America, such as Brazil, sought to ally business sectors and workers to the state in the implementation of infrastructure policies and supported national companies, especially in the extractive, construction and agribusiness industries. Others, such as Bolivia, Ecuador and Venezuela, intensified and expanded their productive base in the extractive industry, using part of the revenues to fund social projects. Both approaches came up against economic, social and ideological opposition/criticism either from the sectors that more closely identify with neoliberalism *tout court*, or those fighting for a full break from neoliberal principles and for profound radical reforms. It remains to be seen whether Latin American social movements and other popular struggles will be able to overcome these traditional options and move towards truly new, alternative paths to economic life. Post-development goals are emerging as one possibility that is currently being tested. However, the *Buen Vivir* paradigm has yet to prove its empirical economic validity—and, more importantly, its political capacity to serve as a new life paradigm for the future.

The current economic crisis Latin American is facing reveals the limits of policies that contribute to the creation of "speculative bubbles". However, the targets that the current "fiscal adjustment" proposals have chosen for cutbacks in public funding—namely education, food sovereignty and labour rights—are precisely the ones that can guarantee greater economic and social stability. A new context is emerging in Latin America—one that demands even greater efforts to defend the social movements' historical proposals for economic transformation.

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