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Towards A Global Ruling Class? Globalization and the Transnational Capitalist Class

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ABSTRACT: A transnational capitalist class (TCC) has emerged as that segment of the world bourgeoisie that represents transnational capital, the owners of the leading worldwide means of production as embodied in the transnational corporations and private financial institutions. The spread of TNCs, the sharp increase in foreign direct investment, the proliferation of mergers and acquisitions across national borders, the rise of a global financial system, and the increased interlocking of positions within the global corporate structure, are some empirical indicators of the transnational integration of capitalists. The TCC manages global rather than national circuits of accumulation. This gives it an objective class existence and identity spatially and politically in the global system above any local territories and polities. The TCC became politicized from the 1970s into the 1990s and has pursued a class project of capitalist globalization institutionalized in an emergent transnational state apparatus and in a "Third Way" political program. The emergent global capitalist historic bloc is divided over strategic issues of class rule and how to achieve regulatory order in the global economy. Contradictions within the ruling bloc open up new opportunities for emancipatory projects from global labor.

IT IS WIDELY RECOGNIZED THAT WORLD CAPITALISM has been undergoing a period of profound restructuring since the 1970s, bound up with the world historic process that has come to be known as globalization (Burbach and Robinson, 1999). One process central to capitalist globalization is transnational class forma-

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tion, which has proceeded in step with the internationalization of capital and the global integration of national productive structures. Given the transnational integration of national economies, the mobility of capital and the global fragmentation and decentralization of accumulation circuits, class formation is progressively less tied to territoriality. The traditional assumption by Marxists that the capitalist class is by theoretical fiat organized in nation-states and driven by the dynamics of national capitalist competition and state rivalries needs to be modified.

We argue in this essay that a transnational capitalist class (henceforth, TCC) has emerged, and that this TCC is a global ruling class. It is a ruling class because it controls the levers of an emergent transnational state apparatus and of global decision making. This TCC is in the process of constructing a new global capitalist historic bloc: a new hegemonic bloc consisting of various economic and political forces that have become the dominant sector of the ruling class throughout the world, among the developed countries of the North as well as the countries of the South. The politics and policies of this ruling bloc are conditioned by the new global structure of accumulation and production. This historic bloc is composed of the transnational corporations and financial institutions, the elites that manage the supranational economic planning agencies, major forces in the dominant political parties, media conglomerates, and technocratic elites and state managers in both North and South.

In what follows, we explore some of the theoretical, conceptual, and empirical issues at stake, although we state as a *caveat* that space constraints preclude a full discussion of these issues. The propositions advanced here are intended to provoke discussion, and as a matter of course are tentative in nature, requiring further substantiation in ongoing research. In part I, we discuss the notion of transnational class formation, identify some of the key developments in the rise of a TCC as agency in the latter decades of the 20th century, and as part and parcel of the same historical process, the rise of a transnational state apparatus in this same period. In part II, we review some empirical data on globalization as indicators of transnational capitalist class formation. Finally, in part III, we discuss the political dynamics of the TCC, including strategic debates and emergent splits among transnational capitalists and their organic intellectuals.

1. TRANSNATIONAL CLASS FORMATION AND THE TCC: SOME CONCEPTUAL ISSUES

Since the 1960s a growing number of observers have discussed the rise of an "international capitalist class." In the early 1970s, Stephen Hymer noted that "an international capitalist class is emerging whose interests lie in the world economy as a whole and a system of international private property which allows free movement of capital between countries. . . . there is a strong tendency for the most powerful segments of the capitalist class increasingly to see their future in the further growth of the world market rather than its curtailment" (Hymer, 1979, 262). Dependency theorists posited the notion of an international bourgeoisie formed out of the alliance of national bourgeoisies bound by their mutual interest in defense of the world capitalist system. In their landmark 1974 study, *Global Reach*, Barnet and Mueller argued that the spread of multinational corporations had spawned a new international corporate elite. Summarizing much of this earlier work in the 1960s and 1970s, Goldfrank pointed in 1977 to "growing evidence that the owners and managers of multinational enterprises are coming to constitute themselves as a powerful social class" (35), and that "the study of class structure or stratification on a world level is in its infancy" (32).

Parallel to the burgeoning research on economic globalization, studies in more recent years have focused on the process of transnational class formation. Kees van der Pijl's excellent theoretical work on international class formation stands out here (1984; 1989; 1998). He has analyzed the fractionation of capital along functional lines in the post–World War II period in advanced capitalist countries, the internationalization of these fractions and their projects as a consequence of the transnational expansion of capital, and the consequent development of an internationally class consciousness bourgeoisie and of a "comprehensive concept of [bourgeois class] control" at the international level. For their part, David Becker and his colleagues, in their controversial thesis on "post-imperialism," observe that global corporations promote the integration of diverse national interests on a new transnational basis. A "corporate international wing" of the managerial bourgeoisie is the prime promoter of this process and the new ruling coalition is comprised of a national "managerial bourgeoisie" of private and public interests in the old Third World and a transnational "corporate bourgeoisie" tied to global corporations. Relatedly, the "Italian School" in international relations has attempted to theorize a global social formation that is increasingly outside the logic of the nation-state (see esp. Cox, 1987; Gill, 1990). Robert Cox (1987, 271) discusses "an emergent global class structure," and Stephen Gill has identified a "developing transnational capitalist class fraction" (1990, 94). From an entirely different vein, Leslie Sklair's "theory of the global system" (1995) involves the idea of the transnational capitalist class that brings together the executives of transnational corporations, "globalizing bureaucrats, politicians, and professionals," and "consumerist elites" in the media and the commercial sector (1995; 1998). Although his analysis is muddled by a number of theoretical and conceptual confusions, including the conflation of class with strata, and his inability to address the issue of the state, Sklair's work goes the furthest in conceiving of the capitalist class as no longer tied to territoriality or driven by national competition.

What all these accounts share (with the exception of Sklair) is a nation-state centered concept of class. They postulate *national* bourgeoisies that converge externally with other national classes at the level of the international system through the internationalization of capital and, concomitantly, of civil society. World ruling class formation is seen as the international collusion of these national bourgeoisies and their resultant international coalitions. The old view of internationalization as national blocs of capital in competition is merely modified to accommodate collusion in the new globalized age. In contrast, we submit that globalization is establishing the material conditions for the rise of a bourgeoisie whose coordinates are no longer national. In this process of transnational class formation dominant groups fuse into a class (or class fraction) within transnational space. The organic composition, objective position and subjective constitution of these groups are no longer tied to nation-states.

Globalization compels us in this way to modify some of the essential premises of class analysis. An understanding of the changes bound up with globalization requires that our methods and epistemological assumptions revert back to those of classical political economy, which set out to theorize a set of relationships that were not self-evident in contemporary practices in order to highlight both structures and historic movement latent in existing conditions. Marx's generic concept of political economy was general and not in its abstract form coincidental with the nation-state. But as history unfolded in its concrete form the dilemma of political economy became the need to explain the paradox of an economy that was clearly internationalized amidst a world political system that was compartmentalized into separate nation-states. The self-expansion of capital within the territorial boundedness of the nation-state and the international dynamics that resulted from the system of nation-states established the parameters of much social analysis. Those parameters are increasingly unable to capture phenomena bound up with globalization, such as the transnationalization of classes.

From an International to a Transnational Bourgeoisie

Marx and Engels spoke last century in the prescient passages of *The Communist Manifesto* of the essential global nature of the capitalist system and of the drive of the bourgeoisie to expand its transformative reach around the world. But for Marx, and for many Marxists after him, the bourgeoisie, while it is a global agent, is *organically national* in the sense that its development takes place within the bounds of specific nation-states and is by fiat a nation-state–based class. Early 20th century theories of imperialism established the Marxist analytical framework of rival national capitals, a framework carried by subsequent political economists into the latter 20th century via theories of dependency and the world system, radical international relations theory, studies of U. S. intervention, and so on. Far from sequences of ideas, these theories were developed to explain actual world historic events, such as the two world wars, and to orient practice, such as national revolutions in the Third World seen as directed against particular imperialist countries. The problem was not that these theories stepped outside of history — to the contrary, they were theoretical abstractions from actual historical reality. Rather, they failed to acknowledge the historic specificity of the phenomena they addressed, tending to extrapolate a transhistoric conclusion regarding the dynamics of world class formation from a certain historic period in the development of capitalism.

As a result, in part, of this theoretical and political legacy, much recent research into globalization, by Marxists and non-Marxists alike, has analyzed the process of economic globalization from the political framework of the nation-state system and the agency therein of national classes and groups (for a critique of this "nation-state framework of analysis," see Robinson, 1998; 1999). The classical Marxist view that since capitalism is increasingly international the capitalist class is therefore also international in nature needs to be updated in light of globalization. Inherent in the *inter*national concept is a system of nation-states that mediates relations between classes and groups, including the notion of national capitals and national bourgeoisies. *Trans*national, by contrast, denotes economic and related social, political, and cultural processes — including class formation — that supersede nation-states. The global economy is bringing shifts in the process of social production worldwide and therefore reorganizing world class structure.

A century ago the rise to economic dominance of the joint stock company and the national corporation had profound effects on the class structure. With the consolidation of national corporations and national markets local and regional capitalists crystallized into national capitalist classes. These became powerful ruling classes that restructured society and ushered in a new era of corporate capitalism. We are in the earlier stages of the same process now replicated at the global level. National capitals have increasingly fused into transnational capital. The rise of transnational capital out of former national capitals is having a similar transformative effect on what were national capitalist classes. These are drawn by globalization into transnational chains that reorient the determinants of class formation. The leading capitalist strata worldwide are crystallizing into a TCC.

Transnational class formation is therefore a key aspect of the globalization process. Moving one step back in the level of abstraction, globalization involves an "epochal shift" in the development of the world capitalist system (Burbach and Robinson, 1999). Specifically, it represents the transition from the nation-state phase to a new transnational phase of capitalism. In the nation-state phase, the world was linked together via commodity and financial flows in an integrated international market. In the new phase, the worldwide social linkage is an internal one springing from the globalization of the production process itself and the supranational integration of national productive structures, as discussed below.[1] Globalization therefore rede-

1 For further detailed discussion, see Robinson, 1996a, 1996b, 1998, 1999; Burbach and Robinson, 1999; Harris, 1998/99. For studies specifically on the globalization of production, see, *inter alia*, Dicken, 1998; Howells and Wood, 1992; UNCTAD, various years.

fines the relation between production and territoriality, between nation-states, economic institutions and social structures. Organic class formation is no longer tied to territory and to the political jurisdiction of nation-states.

In the nation-state phase of capitalism, subordinate classes mediated their relation to capital through the nation-state. Capitalist classes developed within the protective cocoon of nation-states and developed interests in opposition to rival national capitals. These states expressed the coalitions of classes and groups that were incorporated into the historic blocs of nation-states. There was nothing transhistoric, or predetermined, about this process of class formation worldwide. It is now being superseded by globalization. The global decentralization and fragmentation of the production process redefines the accumulation of capital, and classes, in relation to the nation-state. What is occurring is a process of transnational class formation, in which the mediating element of national states has been modified. Social groups, both dominant and subordinate, have been globalizing through the structures, institutions, and phenomenology of a nation-state world, the atavistic historical infrastructure upon which capitalism is building a new transnational institutionality.

The nation-state is no longer the organizing principle of capitalism and the institutional "container" of class development and social life. As national productive structures now become transnationally integrated, world classes whose organic development took place through the nation-state are experiencing supra-national integration with "national" classes of other countries. Global class formation has involved the accelerated division of the world into a global bourgeoisie and a global proletariat, and has brought changes in the relationship between dominant and subordinate classes, with consequent implications as well for world politics. The world politics of the TCC is not driven, as they were for national capitalist classes, by the flux of shifting rivalries and alliances played out through the interstate system, as we discuss later on.

The reality of capital as a totality of competing individual capitals and their concrete existence as a class relation within specific spatial confines determined geographically as nation-states worked against a transnational, or supranational, unifying trend in the development of world capitalism. The liberation of capital from such spatial barriers brought about by new technologies, the worldwide reorganization of production, and the lifting of nation-state constraints on the operation of the global market imply that the locus of class and group relations in the current period is not the nation–state. Yet many Marxists and non-Marxists alike advance a peculiar dualist construct that posits separate logics for a globalizing economic systems and a nation-state–based political system. The nation-state is seen in this dualist construct as immanent in capitalist development, and transnational class formation therefore cannot really be conceived beyond the collusion of "national" classes.[2]

But such a dualist construct flies in the face of the fundamental tenets of historical materialism, if we are to maintain that material conditions, and in particular the process of production, are central to political development and that classes are grounded in real economic production relations. If we acknowledge that these production relations are globalizing then it is incumbent upon us to address the issue of transnational class formation. Let us therefore focus briefly on the matter of the globalization of production before returning to the TCC.

The Globalization of Production and the Circuit of Capital

Global capitalism is not the mere collection of "national economies," as the dominant conception would suggest (see, *inter alia*, Wood, 1999). Many critics who argue that globalization is overstated, or even illusory (*e.g.*, Wood, 1999; Gordon, 1988; Hirst and Thomas, 1996; Weiss, 1998; Glyn and Sutcliff, 1992), claim that the current period is merely a quantitative intensification of historical tendencies and not a qualitatively new epoch. But this argument does not distinguish between the extension of trade and financial flows across national borders, which in our conception represents *internationalization*, and the globalization of the production process itself, which represents *transnationalization*. These accounts point to the high degree of world trade integration in the period prior to World War I (indeed, the world economy was at that time at least as integrated economically as it is at the beginning of the 21st century). But they fail to note what is qualitatively new. The pre-1913 integration was

2 A clear statement of this dualism, and of the notion that the nation-state is immanent in capitalism itself, is Wood (1999), who argues that "global capitalism is nationally organized and irreducibly dependent on national states" (11).

through "arms-length" *trade* in goods and services between nationally-based production systems and through cross border financial flows in the form of portfolio capital. In this period national capitalist classes organized national production chains and produced commodities within their own borders (actually, labor produced those commodities) which they then traded for commodities produced in other countries. This is what Dicken calls "shallow integration" (1998, 5). It is in contrast to "deep integration" taking place under globalization. This involves the transnationalization of the *production* of goods and services.

The globalization of production has entailed the fragmentation and decentralization of complex production chains and the worldwide dispersal and functional integration of the different segments in these chains. This globalization of production has been increasingly researched. What concerns us here is its social and political implications — in particular, as regards class formation. It is the globalization of production that provides the basis for the transnationalization of classes and the rise of a TCC. In his important works on the internationalization of capital, Christian Palloix has suggested a clear historic sequence: the circuit of commodity capital was the first to become internationalized in the form of world trade; the circuit of money capital was the second, in the form of the flow of portfolio investment capital into overseas ventures; the circuit of productive capital is the most recent, in the form of the massive growth of TNCs in the post–World War II period (Palloix, 1977a; 1977b).

This transnationalization of production has expanded dramatically since Palloix wrote in the late 1970s, involving not merely the spread of TNC activities, but the restructuring, fragmentation, and worldwide decentralization of the production process (see, *inter alia*, Dicken, 1998; Howells and Wood, 1992; Burbach and Robinson, 1999; UNCTAD, various years). Let us recall the centrality of the circuit of capital to class analysis, and that this circuit is embedded in social, political, and cultural processes. It is around the circuit, particularly M—C—P—C'—M' (*including*, crucially, P, or production) that class formation takes place, classes struggle, political processes unfold, states attempt to create the general conditions for the circuit's reproduction, cultural processes spring forth, and so on. In the earlier period of "shallow integration," the first part of this circuit, M—C—P—C', took place in national economies. Commodities were sold on the international market, and profits returned home, where the cycle was repeated. Under globalization P is increasingly globally decentralized, and so too is the entire first part of the circuit, M—C—P. Globally produced goods and services are marketed worldwide. Profits are dispersed worldwide through the global financial system that has emerged since the 1980s, a system that is qualitatively different from the international financial flows of the earlier period. As the entire circuit becomes transnationalized, so too do classes, political processes, states, and cultural–ideological processes. What is of concern in the present essay is transnational class formation and the rise of a TCC. Transnationalization of the capital circuit implies as well the transnationalization of the agents of capital.[3] As national circuits of capital become transnationally integrated, these new transnational circuits become the sites of class formation worldwide.

Those who argue that globalization is merely a quantitative deepening of the process of internationalization also point to the continued existence of nation-state phenomena, such as national variations and "distinctiveness," certain production processes that are clearly contained within the bounds of particular nation–states, national capitalist groupings and their political protagonism and even state practices in countries where these groups are able to influence those practices, continued inter-state rivalries, the lingering phenomenology of the nation–state, and so on[4] (see, *inter alia*, Wood, 1999). All of these phenomena are currently present; yet they by no means invalidate the analysis of globalization as a qualitatively new epoch in the development of world capitalism. There is absolutely nothing in

3 Working class formation also occurs around these circuits and a process of global working class formation is underway as well. National working classes are becoming transnationally integrated as the capital–labor relation structured into the circuit of capital becomes a transnational class relation embedded in the emerging globalized circuits of capital. But this is a matter to be taken up elsewhere.

4 In particular, a key disjuncture in the transnationalization process that has caused confusion is the globalization of productive forces within an institutions system still centered around the nation–state. On the one hand, a full capitalist global society would mean the complete integration of all national markets into a single global market and division of labor and the disappearance of all national affiliations of capital. These tendencies are already well under way and as a matter of course not consummated. On the other hand, what is lagging behind are the political and institutional concomitant: the globalization of the entire superstructure of legal, political, and other national institutions, and the transnationalization of social consciousness and cultural patterns. Yet this has begun to occur as well. For detailed discussion, see Robinson, 1996b; 1998; 1999. On a more epistemological level the problem is that much of the debate on globalization limits itself to the level of formal logic whereas analysis of the phenomenon requires a dialectical approach.

the conception and method of dialectical analysis and of historical materialism to suggest that contradictory phenomena cannot coexist, as we discuss below in the concrete case of national and transnational class fractions and the contradictions among them. Within the totality of historic structures there are numerous processes that are in contradiction with one another or moving in separate directions within a larger unity. Globalization is a *process*, not a state or a condition. It is a conception of historic structure in motion, and as such numerous forms may be involved in its dynamics, such as ascendant transnational and descendant nation–state forms of class, of productive structure, and so on. What is important for materialist analysis is to capture the direction of historic movement and the tendencies underway, even when such historic processes are open-ended, subject to being pushed in new and unforeseen directions, and even to reversals.

The TCC as a Class-in-Itself and a Class-for-Itself

By class, we mean a group of people who share a common relationship to the process of social production and reproduction, constituted relationally on the basis of social power struggles. The concept can apply to antagonistic polar opposites, such as the bourgeoisie and the proletariat, and also to fractional interests within a single class (*e.g.*, industrial and commercial capital). A dialectical analysis of transnational class formation must *start* with the primacy of social relations of production in the constitution of antagonistic classes, and with the *derivation* of specific classes or class fractions, such as a TCC, from class struggle grounded in these relations. Marx and Engels clearly identified class as a collective position *vis-à-vis* the means of production and the production process. But they also suggested that the existence of a class was conditional upon its capacity to forge a collective political and/or cultural protagonism, that is, a self-representation, and that class formation involves the mutual constitution of antagonistic classes. This dialectical conception is best captured in Marx's notion of a class-in-itself and a class-for-itself, and epitomized in the modern literature on class, perhaps above all in the works of E. P. Thompson.

The study of class formation therefore involves structural and agency levels of analysis. The first is concerned with the material bases and the production relations that give rise to and define classes;

the second, with intentionality and with the forms of consciousness involved in intervention that shape social processes and as well the direction of development in material relations. At the level of structure, the global economy, specifically the transnationalization of capital, provides the material basis for a TCC. The TCC can be located in the global class structure by its ownership and/or control of transnational capital. Transnational capital constitutes the "commanding heights" of the global economy, that fraction of capital that imposes the general direction and character on production worldwide and conditions the social, political, and cultural character of capitalist society worldwide. The members of the TCC are the owners of the major productive resources of the world, or, as Marx expressed it, "the owners of the system of production."

We argue, then, that the TCC is the segment of the world bourgeoisie that represents transnational capital. The old international alliance of national bourgeoisies has mutated into a transnational bourgeoisie in the new epoch, and this transnational bourgeoisie has become the hegemonic class fraction globally. Here *fraction* denotes segments within classes determined by their relation to social production and the class as a whole. This TCC is comprised of the owners of transnational capital, that is, the group that owns the leading worldwide means of production as embodied principally in the transnational corporations and private financial institutions. What distinguishes the TCC from national or local capitalists is that it is involved in globalized production and manages globalized circuits of accumulation that give it an objective class existence and identity spatially and politically in the global system above any local territories and polities.

At the level of agency, the TCC is class conscious, has become conscious of its transnationality,[5] and has been pursuing a class project of capitalist globalization, as reflected in its global decision-making and the rise of a transnational state apparatus under the auspices of this fraction. The proletariat worldwide is also in the process of transnational class formation. A transnational working class is increasingly a reality, a class-in-itself. But it is not yet for-itself for reasons bound

5 This was noted as long ago as 1974 by Barnet and Mueller, 1974. For "from the horse's mouth" accounts of the reflexive thinking of this transnational bourgeoisie, see Wriston, 1992; Soros, 1998. Wriston is former CEO of Citibank and Soros is a global currency speculator.

up with the continued existence of the nation–state and uneven development that we cannot explore here. The TCC, however, is increasingly a class-in-itself and for-itself. Capitalist globalization has, in the momentary historical juncture of the late 20th and early 21st century, increased the relative power of global capital over global labor by acting as a centripetal force for the capitalist class and as a centrifugal force for the working class.[6]

Globalization, Transnational Class Fractionation, and the TCC[7]

Class fractionation is occurring along a new national/transnational axis. In recent years, in every country of the world, transnationalized fractions, or nuclei, of local dominant groups have emerged. Here contradictory logics of national and global accumulation are at work. The interests of one group lies in national accumulation, including the whole set of traditional national regulatory and protectionist mechanisms, and the other in an expanding global economy based on worldwide market liberalization. The struggle between descendant national fractions of dominant groups and ascendant transnational fractions has often been the backdrop to surface political dynamics and ideological processes in the late 20th century.

These two fractions have been vying for control of local state apparatuses since the 1970s. Transnational fractions of local elites swept to power in countries around the world in the 1980s and 1990s. They have captured the "commanding heights" of state policymaking: key ministries and bureaucracies in the policymaking apparatus — especially Central Banks, finance and foreign ministries — as key government branches that link countries to the global economy. They have used national state apparatuses to advance globalization and to pursue sweeping economic restructuring and the dismantling of the old nation-state–based Keynesian welfare and developmentalist projects. They have sought worldwide market liberalization (following the

6 The discussion here is therefore partial. A holistic presentation would have to begin the account of causal determination with class struggle and the evolution of social relations of production and also include the effects of global capitalist restructuring on exploited classes as the flip side to the account of the rise of a TCC.

7 The notion of national and transnational fractions is developed in the various works of Robinson, as listed in the reference section. For their part, Sklair (1995; 1998) discusses "localizing" and "globalizing" capitalists, while Gill suggests similar tensions between national and transnational groups in his 1990 study.

neoliberal model), and projects of economic integration such as the North American Free Trade Agreement (NAFTA), the Asia Pacific Economic Cooperation (APEC) forum, and the European Union. They have promoted a supra-national infrastructure of the global economy, such as the World Trade Organization, as we discuss below.

One key question with regard to national/transnational fractionation is the relationship between globalization and the traditional fractionation of capital into industrial, commercial, and financial groups. The national/transnational axis is a second dividing line, superimposed on traditional capital fractionation. Finance capital has certainly become hegemonic. It is the most mobile and the most deterritorialized. Some $25 trillion in currency is moved daily in global financial markets, and the daily turnover at the largest stock markets has surpassed $1 trillion (Harris, 1998–99, 23), compared to a daily world trade of only about $10 billion (so that real trade is only one percent of fictitious trade). In the 1970s and 1980s finance capital came to determine circuits of global accumulation; that is, money capital became the regulator of the international circuit of production rather than investment capital. Transnational banks and investment firms, as well as Central Banks, hold vast foreign currency reserves and use diverse currencies for their worldwide transactions. Under such circumstances it would be difficult to argue that world political dynamics are shaped by struggles for dollar, yen, or some other currency's hegemony, as they were in, for instance, the pre-1913 period, or in earlier moments in the post–World War II period. The TCC and different national states have a vested interest in a stable global monetary system.[8]

What accounts for these dramatic developments in the world financial system, and the apparent decoupling of financial from productive capital, phenomena without precedent, has been hotly debated. Clearly it is linked to technological change and the possibilities opened up by informatics. It is probably also linked to cycles in world capitalism, in particular the Kondratieff cycles, in that the end of long swings (*e.g.*, of the post–World War II boom) is characterized by an abundance of capital savings and accumulated surplus value expressed

8 In earlier periods finance capital was nation-state based, whereas it is now transnational. In Patnaik's words: "Instead of several contending blocs of finance capital, we have one gigantic entity of which finance capitals of specific countries are so many constituent elements" (1999, 56).

in the hegemony of money capital and financial speculation (Arrighi, 1994). But for purposes of analysis of the TCC what is important is that the globalization process affects productive and commercial capital, and therefore it cannot be argued that class fractionation in the age of globalization is between mobile money capital on the one hand, and "fixed" productive capital on the other (with commercial capital somewhere in between).[9]

In fact, the national/transnational axis cuts across money, commercial, and productive capital, such that all three are split internally along the axis (see, *e.g.*, van der Pijl, 53). Also relevant, but not possible to take up here, is Hilferding's notion of finance capital as the socialization of money, commercial, and industrial capital into an interdependent complex. To what extent has transnational capital organically fractionalized? Or in fact does it constitute *transnational finance capital* in Hilferding's sense? We would speculate, given the interlocking structures of transnational corporations and banks (see, *e.g.*, Fennema, 1982; van der Pijl, 1998, esp. chapter 2), that the latter is the case and that differences among transnational capitals are therefore strategic and between conglomerates. Finally, it is worth noting that most transnational units of production are simultaneously involved directly or indirectly in financial, productive, and commercial capital operations and investment.

The rise of a TCC therefore involves more integrated global capitals and we had best examine the phenomenon of global class formation from angles other than the traditional issues in class analysis of fractions, such as local versus global accumulation circuits, or national/territorial versus transnational/deterritorialized class interests. Van der Pijl has argued that money interests have tended to manifest themselves in liberalism and cosmopolitanism, whereas productive capital has manifested itself historically in planning locally and nationally, and hence transnationalization has been led by money capital (1984; 1989). This might have been so in earlier epochs of capitalism but clearly central to globalization has been the fragmentation and global decentralization and dispersal of production, made possible in part by a new generation of science and technology and

9 On the increasing globalization of commercial capital, *The Economist* reports that the giant mega-retailers "have caught globalization fever" and have been involved not just in the transnational expansion by individual retailers but also in a wave of cross-border mergers and acquisitions" (1999, 59).

entailing the tendency towards the dissolution of "fixity" in productive capital. As has been amply documented, many previously nationally-based industries, such as autos, electronics, textiles, and computers, and even, in fact, services, are now thoroughly transnationalized (see, *e.g.*, Dicken, 1998; Howells and Wood, 1992; UNCTAD, various years). Moreover, money capital must "land" in production, which under globalization is increasingly impermanent and dispersed in mobile worldwide production sites exhibiting accelerated turnover time (and hence decreased fixity).

The Formation of a Transnational State Apparatus[10]

The TCC is dominant economically, but is it also dominant politically and culturally? In what sense and in what degree can the TCC be shown to be a global ruling class? Does the TCC act collectively as a class in the exercise of political power?[11] The economically dominant class is not necessarily the ruling class; that it is (or is not) is something that must be demonstrated. Here we proceed in order of determination from economic dominance to political rule. We draw out our earlier proposition that a transnational capitalist class as a class fraction of the world bourgeoisie has emerged, and that this TCC is in the process of achieving its rule or becoming a global ruling class. The TCC has articulated economic interests with political aims in pursuing the globalist project of an integrated global economy and society, what elsewhere Robinson has referred to as the "transnational elite agenda" aimed at creating the conditions most propitious to the unfettered functioning of global capitalism (Robinson, 1996a; 1996b; 1997; 1998–1999; 1999).

It is not possible, therefore, to provide a comprehensive picture of the TCC without reference to its objective determinants in the productive structure — and here the transnationalization of the production process is key — *and also* with reference to its subjective de-

10 The issues raised in this section are summarized from the extended discussion in Robinson, 1999.

11 There is a long debate which we cannot address here on the issue of "collective actors" and on whether classes can be collective actors (but see, *e.g.*, discussion by Hindess, 1987). Our position is that classes are collective actors, and that the TCC, in part due to its position as an "organized minority" and to the resources and networks at its disposal for coordination, is fairly coherent as a collective actor. Moreover, as we discuss below, the rise of a transnational state apparatus has facilitated the protagonism of the TCC.

termination — and here the rise of a transnational state (TNS) apparatus as a crucial political and institutional expression of the TCC is important. In other words, analysis of the power of the capitalist ruling class cannot be separated from the issue of the state and the political process. But we can proceed in order of determination to analyze, first, the economic–material determination of the TCC as embodied in transnational capital, and second, the exercise of its class power as expressed in TNS apparatuses. In other words, social power as domination is embodied in wealth (the means of production and the social product) and exercised through institutions (especially the state).

The dialectic of structure and agency has driven the process of globalization. Globalization is an objective process insofar as it is a consequence, not a cause, of the dynamics of capitalist development and a stage in the centuries-long expansion of world capitalism. And it is a subjective process insofar as it is unfolding as the result of agency. Dominant groups, especially the TCC, have sought transnationalization as a means of resolving problems of accumulation. And the political protagonism and class struggle of subordinate classes at the level of the national state and the constraints it placed on capital at that level is what first drove capital to transnationalize. We should recall that a dominant class exercises its rule through political institutions whose higher personnel must represent the class, unifying so far as possible its actions and reinforcing its control over the process of social reproduction, which in this case means ensuring the reproduction of global capitalist relations of production and at the same time the reproduction (or transformation) of political and cultural institutions favorable to its rule.

The leading strata among the emergent TCC became politicized from the 1970s into the 1990s. The notion of a managerial elite at the apex of the global ruling class which controls the levers of global policymaking captures the idea of a politically active wing of the global ruling class. As part of its political protagonism, this wing set about to create and/or transform a set of emerging transnational institutions. These institutions constitute an incipient TNS apparatus in formation. This TNS apparatus is an emerging network that comprises transformed and externally integrated national states, *together with* the supranational economic and political forums; it has not yet acquired any centralized institutional form. The economic forums include the

International Monetary Fund (IMF), the World Bank, the World Trade Organization (WTO), the regional banks. and so on. The political forums include the Group of 7 and the recently formed Group of 22, among others, as well as the United Nations system, the Organization of Economic Cooperation and Development (OECD), the European Union, the Conference on Security and Cooperation in Europe (CSCE), and so on. The TCC has directly instrumentalized this TNS apparatus, exercising a form of transnational state power through the multilayered configuration of the TNS. It is through these global institutions that the TCC has been attempting to forge a new global capitalist hegemonic bloc.[12]

As transnational corporate and political elites emerged on the world scene in the 1980s they made explicit claims to building and managing a global economy through restructured multilateral and national institutions. The political organization of the TCC included the formation in the mid-1970s of the Trilateral Commission, which brought together transnationalized fractions of the business, political, and intellectual elite in North America, Europe, and Japan (Gill, 1990). Other markers in its politicization were: the creation of the Group of 7 forum at the governmental level, which began institutionalizing collective management of the global economy by corporate and political elites from core nation–states; the expansion of the activities of the OECD, formed as a supranational institution by the 24 largest industrialized countries to observe and coordinate their national economies; and the creation of the World Economic Forum (WEF), which brought together the top representatives of transnational corporations and global political elites (see below). Studies on building a global economy and transnational management structures flowed out of think tanks, university centers, and policy planning institutes in core countries.[13]

This increasingly organized global elite articulated a coherent program of global economic and political restructuring centered

12 It is not possible here to revisit the theoretical debates on the state and the relation between the state and class, other than to note that the rise of a TCC has involved both structural and instrumental dimensions. Class formation has on the one hand been grounded in structural processes that have unfolded "behind the backs" of transnational capitalists as actors. But at the same time the process has involved an instrumentalization by emerging transnational fractions of the bourgeoisie of existing and newly created TNS apparatuses (see Robinson, 1999).

13 For an earlier discussion of the gamut of international elite reports writing on the eve of globalization, see Cox, 1979. For an updated discussion, see Murphy, 1999.

around market liberalization — the so-called "Washington consensus" (Williamson, 1993), or the neoliberal project (see below) — and set out to convert the world into a single unified field for global capitalism. It pushed for greater uniformity and standardization in the codes and rules of the global market, a process similar to the construction of national markets in the 19th century but now replicated in the new global space. The G-7 in 1982 designated the IMF and the World Bank as the central authorities for exercising the collective power of the capitalist national states over international financial negotiations (Harvey, 1990, 170). At the Cancun Summit in Mexico in 1982, the core capitalist states, led by the United States, launched the era of global neoliberalism as part of this process and began imposing structural adjustment programs on the Third World and the then–Second World. Transnational elites promoted international economic integration processes, created new sets of institutions and forums, such as the WTO, the Multilateral Agreement on Investment (MAI), and so on. The institutions of this TNS such as the IMF, the World Bank, and WTO are not merely instruments of a world bourgeoisie against world labor; they are also instruments of some fractions of capital against others. They are not neutral *vis-à-vis* the different capitalist fractions. They suppress national fractions, opposing solutions (*e.g.*, protectionism, fixed exchange rates, etc.) that would bolster national capitals and promote the interests of transnational fractions.

The TNS has been one important forum of transnational class socialization, as have world class universities, transnationally oriented think tanks, the leading bourgeois foundations, such as Harvard's School of International Business, the Ford and the Carnegie Foundations, policy planning groups such as the Council on Foreign Relations, and so on. Elite planning groups are important forums for integrating class groups, developing new initiatives, collective strategies, policies and projects of class rule, and forging consensus and a political culture around these projects. Since at least late in the last century the corporate elite has operated through political organizations. These peak business associations function as bodies that connect capital with other spheres (governments, organs of civil society, cultural forums, etc.) at numerous levels. In the United States these have included, for instance, the Business Roundtable, the Chamber of Commerce, and the National Association of Manufacturers, among others. In recent years, there has been a veritable proliferation of *transnationally* oriented capitalist organizations and planning groups beyond such better known ones as the Trilateral Commission. For instance, the Institute of International Finance (IIF) was created in 1983 by representatives from transnational banks and investment firms and has 300 members in 56 countries around the world. The IIF acts as a policy center, lobbyist, researcher and consultant for its membership, a virtual political center for transnational finance.

But it is the World Economic Forum (WEF) that stands out as the most comprehensive transnational planning body of the TCC and the quintessential example of a truly global network binding together the TCC in a transnational civil society. As van der Pijl notes, the WEF's component bodies are all acknowledged *class* organizations, in the sense of being subject to "strict conditions of admission in order to preserve their peer character" (1998, 133). These different component bodies include: the CEOs of the top 1,000 TNCs (this component body is known as "Foundation Members" and is the core of the WEF); representatives from 100 of the most influential media groups worldwide ("World Media Leaders"); key policymakers from national governments around the world and from international organizations ("World Economic Leaders"); select academics and experts from political, economic, scientific, social and technological fields ("Forum Fellows"); and so on. "A body of this scope clearly has not existed ever before," observes van der Pijl. "It is a true International of capital" (1998, 133).[14]

Global media have also been a crucial element in the socialization of the TCC and in the development of its hegemonic project. The ownership and merger of media worldwide is a major area of transnationalization. Beyond the economic implications of the transnational corporate media and their tight control over the worldwide

14 In turn, the WEF has established "partner institutes" throughout the world. These include, by way of example: academic departments (whether housed within a private institute or a government agency), such as Jordan's Institute of Public Administration; government agencies, such as the Colombian National Planning Department; and business associations, "often the peak association of large private corporations," such as Iceland's Confederation of Employers and New Zealand's Employers Federation (Murphy, 1999). Here we get a remarkable glimpse of the TCC as a global ruling class in the process of establishing its authority within a *transnational extended state*, in the Gramscian sense, comprised of political society (the state proper) plus civil society. Recall that a hegemonic project is constructed, in Gramsci's view, from within this extended state. Also relevant is Gramsci's notion of the role of planning groups and think tanks as "collective intellectuals" of/for the ruling class.

flow of information and of images are issues of cultural domination. The global corporate media play an essential role in producing the ideological and cultural bases for a hegemonic bloc that brings together the TCC with other classes, groups, and strata. This transnational socialization of the TCC is crucial to the extent that class formation is as much a subjective as an objective process, and is complemented by the creation of transnational "epistemic communities" of organic intellectuals. Social scientists have long noted the role of cultural, educational and other mechanisms that generate the cohesion necessary for a class to bind together and to reproduce itself (*e.g.*, the works of Domhoff, Useem, Dye, and Mills). The process of transnational socialization, including an emergent TNS as an organic representation of the TCC, transnational capitalist forums, the role of the media, and so on, needs to be studied further.

Despite its organization and coherence, the transnational bourgeoisie is not a unified group. "The same conditions, the same contradiction, the same interests necessarily called forth on the whole similar customs everywhere," noted Marx and Engels in discussing the formation of new class groups. "But separate individuals form a class only insofar as they have to carry on a common battle against another class; otherwise they are on hostile terms with each other as competitors" (Marx and Engels, 1970, 82). Fierce competition among oligopolist clusters, conflicting pressures, and differences over the tactics and strategy of maintaining class domination and addressing the crises and contradictions of global capitalism make any real internal unity in the global ruling class impossible. We return to this issue below.

2. SOME EMPIRICAL INDICATORS OF TRANSNATIONAL CAPITALIST CLASS FORMATION

Are capitalists transnational only in the sense that they span the globe with their economic power, or are they transnational in the sense that they are beginning to merge as a global bourgeoisie through corporate mergers, banking interests, and so on? We suggest that the former situation is an indicator of an international bourgeoisie while the latter are indicators of a transnational bourgeoisie. Internationalization occurs when national capitals expand their reach beyond their own national borders. Transnationalization is when national capitals fuse with other internationalizing national capitals in a process that disembeds them from their nations and locates them in new supranational space opening up under the global economy.

The boundaries of the TCC are indeterminate. At what point national classes become transformed into transnational classes is open to debate — despite the fact that we can conceptually distinguish such classes — and depends upon the devices we construct to define the material bases of transnational classes. Empirical evidence on the rise of the TCC includes the spread of transnational corporations (TNCs), the expansion of direct foreign investment, cross-national mergers, strategic alliances, the interpenetration of capital, and interlocking directorates that are transnational. As well are the phenomena of worldwide subcontracting and outsourcing, the extension of free enterprise zones, and a number of other new economic forms associated with the global economy. Such new forms of organizing globalized production are important because they contribute to the development of worldwide networks that link local capitalists to one another, and generate an identity of objective interests and of subjective outlook among these capitalists around a process of global (as opposed to local) accumulation. They therefore function as integrative mechanisms in the formation of the TCC and act to shift the locus of class formation from national to emergent transnational space. Here we provide a cursory glance at some of these indicators. The objective is to provide some empirical reference points for our theoretical exposition, in conjunction with the conjunctural analysis in the next section, and to point the way for future research on the TCC, which requires a systematic study of such data not possible here.

A key indicator of the rise of the TCC and its agents is the spread of TNCs. TNCs embody the transnationalized circuits of capital and organize those circuits. In 1995, according to the UNCTAD (1996, 3), there were some 40,000 companies with headquarters in more than three countries and some two-thirds of world trade was carried out by TNCs. Similarly, the share of world GDP controlled by TNCs grew from 17% in the mid-1960s to 24% in 1984 and almost 33% in 1995 (*ibid.*).[15] Perhaps the single most comprehensive indicator of

15 Compiling data from UNCTAD's annual *World Investment* reports, Dicken constructed an "index of transnationality" which ranked the world's 100 largest TNCs according to the ratio of their foreign assets, sales, and employment to total assets, sales, and employment. He found that 42 of these 100 companies had an index of over 50 (13 scored over 75), while only seven scored under 20.

TNC activity and the growth of transnational production is the global stock of foreign direct investment (FDI, see Table 1), which was valued at over $4 trillion, with its rate of growth over the previous decade more than double that of gross fixed capital formation throughout the world. In 1994 it is estimated that the worldwide assets of corporate foreign affiliates was $8.4 trillion. Local firms become incorporated into the transnational corporate structure through an array of mechanisms involved in FDI and TNC activity, ranging from mergers, contracting and outsourcing arrangements, local marketing deals, take-overs, and so on. And as of 1995, some 280,000 affiliates of transnational corporations produced goods and services estimated at $7 trillion (UNCTAD, 1996, xv–xvi).[16]

Until the 1980s, most merger and acquisition activity occurred within national boundaries, but within the last two decades cross-border acquisitions and mergers have become one of the most important ways for firms to expand their activities transnationally (Dicken, 1998, 222)

TABLE 1
GLOBAL FDI OUTFLOWS, 1983–1997
In Billions of Dollars and Percentage Growth Rate
(Average annual amount and growth rates
for batch years 1983–1987 and 1988–1992)

Year	Amount	% Growth
1983–1987	76.8	35
1988–1992	208.5	4
1993	225.5	11
1994	230.0	2
1995	317.8	38
1996	347	9
1997	589	41
1998	644	39

SOURCE: As reported by: UNCTAD World Investment Reports, 1996, 4; UNCTAD, 1997, 4. 1997 figure from UNCTAD 1998 report, 19. 1998 figures from UNCTAD 1998 report, as reported in *The Economist*, June 26, 1999, 7.

16 This transnationalization of production is multidirectional. In 1996, US FDI was $85.4 billion dollars, slightly less than one quarter of the total, while FDI flows into the United States by foreign corporations were $84.6 billion in 1996 (*ibid.*, 44).

and are an essential mechanism in the transnationalization process. The concentration of capital is not new. It is part of the very process of capitalist development and was an integral aspect in an earlier period of national class formation and the rise of national bourgeoisies. The *transnational* concentration of capital through global mergers and acquisitions has a similar importance for transnational class formation and the rise of a transnational bourgeoisie. Some cross-border acquisitions involve the merger of TNCs, but many entail the acquisition of national companies by TNCs, which draws local social forces into the transnationalization process.

Of the $589 billion in total global FDI outflows in 1997, $342 billion, or 58% of the total, went into mergers and acquisitions. This means that just about two-fifths of FDI was in new or start-up investments: the remainder was used to buy up other companies across national borders. In the case of mergers, it meant the integration of capitals from at least two distinct countries. If an acquisition, it meant that a given firm incorporated a foreign company with its employees, managers, and "national" interests. Summarizing the current "merger mania," *Business Week* noted: "In industries ranging from autos to telecoms, analysts predict the merger craze will continue" (1998, 53). Cross-border mergers and acquisitions have involved not just the most globalized sectors of the world economy, such as telecommunications, finances, and autos, but also mega-retailers, companies trading in primary commodities, chemicals, and numerous services, from legal firms to insurance and management. Some of the largest cross-national mergers and acquisitions in recent years have been: the record-breaking merger of British Telecom and MCI (telecommunications); Daimler Benz and Chrysler (autos); Dupont and Herberts (chemicals and paints); Alcatel and Motorola (phone and telecommunications equipment), and Alcatel's subsequent acquisition of DSC Communications; the acquisition of MCA by Seagram (entertainment); and the purchase of Marion Merrel Dow by Hoeschst (pharmaceuticals) (UNCTAD, 1996, 12). In the first nine months of 1998, such transnational merger and acquisition deals across the world totalled $383 billion, more than the total for 1997. As this process deepens transnational capital gains increasing control over every sector of the global economy and transnational class formation accelerates. Commenting on the wave of global mergers during an interview in which he announced the takeover of Random House by Berttelsman, Thomas Middelhoff, Berttelsman's chair, noted: "There are no German and American companies. There are only successful and unsuccessful companies" (White, 1998, 1).

Importantly, there has been a high degree of cross-investment between the major capitalist countries (Dicken, 1998, 45–46), which indicates a high degree of interpenetration of "national" capitals in the process of FDI expansion. The developing world absorbed four-fifths of pre–World War II FDI through the old colonial "spheres of influence" structure of world order. But most FDI flows from the 1960s into the 1980s took place between core regions.[17] This is important because the first pattern of FDI reflects a situation in which core *national* bourgeoisies were in rivalry, whereas the latter indicates a key mechanism in the transnationalization of these "national" bourgeoisies. It is in the Third World where transnational class formation is weakest and where "national" bourgeosies may still control states and organize influential political projects. However, even here transnational class formation is well under way. In a recent report, the ILO noted that FDI has "increased sharply, especially to developing countries. The average annual flows have increased more than three-fold since the early 1980s for the world as a whole, while for developing countries it had increased fivefold by 1993" (ILO, 1996–97, 2). National capitals in the South have themselves increasingly transnationalized by their own FDI and by integrating into global circuits of accumulation. In 1960, only one percent of FDI came from developing countries. By 1985, this figure had increased to around three percent, and by 1995 it stood at about eight percent (Dicken, 1998, 44). Southern-based TNCs have invested $51 billion abroad, while developing countries have absorbed an increasing proportion of FDI in the 1990s (Burbach and Robinson, 1999). The Third World bourgeoisie of countries such as Singapore, South Korea, Taiwan, Brazil,

17 See Dicken, 1998, 42–60, who notes that, "the world's population of TNCs is not only growing very rapidly but also there has been a marked increase in the geographical diversity of its origins in ways which cut across the old international division of labor . . . virtually all developed economies have substantial outward *and* inward direct investment. . . . What these patterns imply, in fact, is a high degree of *cross-investment* between the major developed market economies" (45–46).

Chile, and Mexico are becoming important "national" contingents of the TCC (*ibid.*). In 1996 for the first time two third-world companies, Daewoo Corporation of South Korea and Petroleos de Venezuela, joined the ranks of the top 100 transnational corporations. The top 50 TNCs of the Third World augmented their foreign assets by 280% between 1993 and 1995, while those of the top 100 corporations based in the core countries increased by only 30% (ILO, 1996, xvii).[18]

Another important aspect of the transnationalization of Third World economies is the growing importance of foreign portfolio equity investments (FPEI), which are not counted as FDI flows. These are international investments mainly by stock brokerage firms and mutual funds in foreign stock markets managing the capital of investors generally interested only in securing an ample return on their investments and exercising virtually no direct role in the company in which they invest. FPEI flows therefore represent a pronounced transnationalization of capital in that they are carried out by an array of investors with origins in a large number of countries. Many third-world countries in the 1990s as part of the drive to implement neoliberal, free market policies have facilitated FPEI inflows by establishing or liberalizing their stock market exchanges. Referred to as "emerging markets," these represent a dramatic transnationalization of national firms and assets that accelerates the formation of the TCC.

The growth of direct and equity investment flows is part of the dramatic and growing integration of world capital markets through the commodification of financial instruments. One study found that the total market value of securities traded in world capital markets tripled between 1980 and 1992 (Akdogan, 1995, 9). The same study revealed that international gross equity flows doubled between 1986 and 1989, and that in 1991 they were equal to more than one quarter of the capital in the world capital markets. Aside from equity investments, other components of world capital markets are bond and debt financing as well as derivatives, stock options, warrants and convertibles. The rise of a new globally integrated financial system since the 1980s has been truly phenomenal. National stock markets have

18 "The world's population of TNCs is not only growing very rapidly but also there has been a marked increase in the geographical diversity of its origins in ways which cut across the old international division of labor," notes Dicken. "The geographic structure of FDI has become far more complex in recent years, a further indication of increased interconnectedness within the global economy" (1998, 45).

all but disappeared. Between 1980 and 1990 the volume of cross-border transactions in equities alone grew at a compound rate of 28% per year, from $120 billion to $1.4 trillion. The stock of cross-border bank lending rose from $324 billion to $7.5 trillion over the same period, and offshore bond markets (where companies issue IOUs *offshore*) increased by 537% from $259 billion to $1.6 trillion. As Hoogvelt notes, if we add up all these categories of world financial integration plus the stock of principal derivatives and FDI, "the total exceeds the total of the combined FDI of the OECD economies" (Hoogvelt, 1997, 78–80).

Transnationalization is reflected as well in ever-greater trade integration. World trade has grown much faster than output, and this growth, after slowing briefly in the early 1990s, a consequence of the worldwide downturn, picked up again in mid-decade, as Table 2 indicates.

World trade can indicate internationalization and not transnationalization. But once we note that between one-third and two-thirds of this world trade is conducted as intra-firm trade (World Bank, 1992, 22) it becomes clear that data on the growth of world trade is itself a commercial expression of globalized production. The ILO report emphasizes: "These increased flows of direct investment have been accompanied by the growth of globally integrated production systems characterized by the rapid expansion of intra-firm trade in intermediate products and of subcontracting, licensing and franchising arrangements, including new forms of outsourcing of work across national frontiers" (ILO, 1996–97, 2).

TABLE 2
Growth of World Trade (Goods and Services) and Growth of Real GDP, 1974–1995

World Trade (% Growth in Volume)	World GDP (% Growth, Annual Average for Batch Years)
1974–83: 3.1	1974–80: 3.4
1984–89: 6.4	1981–90: 3.2
1990–93: 4.6	1991–93: 1.2
1994: 8.7	1994: 2.9
1995: 7.9	1995: 2.8

SOURCE: ILO (1997:3)

This phenomenal spread since the late 1970s of diverse new economic arrangements, such as outsourcing, subcontracting, transnational intercorporate alliances, licensing agreements, local representation, and so on, parallels the proliferation of FDI, mergers and acquisitions, and underscores another major aspect of the transnational linkage of capitals. These arrangements result in vast transnational production chains and complex webs of vertical and horizontal integration across the globe. According to Dicken:

> TNCs are also locked into *external* networks of relationships with a myriad of other firms: transnational and domestic, large and small, public and private. It is through such interconnections, for example, that a very small firm in one country may be directly linked into a global production network, whereas most small firms serve only a very restricted geographic area. Such inter-relationships between firms of different sizes and types increasingly span national boundaries to create a set of *geographically nested relationships* from local to global scales. . . . There is, in fact, a bewildering variety of interorganizational *collaborative* relationships. These are frequently multilateral rather than bilateral, polygamous rather than monogamous. (Dicken, 1998, 223.)

What Dicken's authoritative study underscores is the increasing interpenetration on multiple levels of capitals in all parts of the world, organized around transnational capital and the giant TNCs. It is increasingly difficult to separate local circuits of production and distribution from the globalized circuits that dictate the terms and patterns of accumulation worldwide, even when surface appearance gives the (misleading) impression that local capitals retain their autonomy. There are of course still local and national capitals, and there will be for a long time to come. But they must "de-localize" and link to hegemonic transnational capital if they are to survive. Territorially restricted capital cannot compete with its transnationally mobile counterpart. As the global circuit of capital subsumes these local circuits, through numerous mechanisms and arrangements, local capitalists who manage these circuits become swept up into the process of transnational class formation.

The diverse new economic arrangements in the global economy have been associated with the transition from the Fordist regime of accumulation to new post-Fordist *flexible* regimes (see, *inter alia*, Harvey, 1990; Amin, 1994; Hoogvelt, 1997; Dicken, 1998). As many have noted, the structural properties of the emerging flexible regime are *global* in character, in that accumulation is embedded in *global* markets, involves *global* enterprise organization and sets of *global* capital–labor relations (especially deregulated and casualized labor pools worldwide) (see, *inter alia*, Hoogvelt, 1997, 109–113). Competition dictates that firms must establish global as opposed to national or regional markets. As Hoogvelt shows, competition in the global economy increasingly compels them to operate full production systems in all three regions of the global triad (North America, Europe, and East Asia). The leading TNCs are becoming "multi-regional" companies, operating multiple and integrated production as well as financial and commercial operations throughout the triad (*ibid.*). These multi-regional companies are emerging through the strategy of alliances, mergers, and other forms of integrative coordination among TNCs, as a general transitional form in the process of the transnational integration of capital.

Meanwhile, each shock in the unfolding world economic crisis, from Mexico to Asia, from Russia to Brazil, has tended to result in an accelerated transnational integration of local capitalists of affected countries into the ranks of the TCC. These crises clearly bring into sharper relief the process of fractionation among local elites. For instance, the Asian crisis is leading to a restructuring of many of the region's major corporations and economies that facilitates and advances the consolidation of transnational capital. The "chaebol," the powerful financial–industrial groups of South Korea, for instance, have been compelled to sell off national assets to TNCs and at the same time they have forged partnerships with corporations from other areas of the world (*Business Week*, 1998a). As Lawrence Summers stated in 1998 when he was undersecretary of the U.S. Treasury Department, "In some ways the IMF has done more in these past months to liberalize these [Asian] economies and open up their markets to U. S. goods and services than has been achieved in rounds of negotiations in the region" (cited in Bello, 1998–99, 138).

Increasingly, the leading strata among the TCC have come to occupy a variety of interlocking positions within the global corporate structure. Fennema, for instance, identified for the early 1980s an international network of interlocking directorates among the leading transnational banking and industrial firms (1982). This process parallels a similar one in an earlier period, when the rise of national bourgeoisies involved national-level interlocking directorates that congealed the objective links and the subjective identity of national bourgeoisies, as documented in a wealth of literature, Marxist and non-Marxist, on the subject of national "power elites," ruling blocs, the "inner circle," and so on (see, *inter alia*, Domhoff, 1967; Useem, 1984; Dye, 1986; Mills, 1959). The evolving composition of the directorates of the leading TNCs is an area ripe for research.

3. HEGEMONY AND THE GLOBAL POLITICS "FROM ABOVE" OF THE TCC

The new global ruling bloc consists of various economic and political forces led by the TCC whose politics and policies are conditioned by the new global structure of accumulation and production. It is the logic of global accumulation, rather than national accumulation, that guides the political and economic behavior of this ruling bloc, henceforth referred to as the "globalist" bloc. At the center of the globalist bloc is the TCC, comprised of the owners and managers of the transnational corporations and other capitalists around the world who manage transnational capital. The bloc also includes the cadre, bureaucratic managers and technicians who administer the agencies of the TNS, such as the IMF, the World Bank, and the WTO, the states of the North and the South, and other transnational forums. And membership in the hegemonic bloc also includes the politicians and charismatic figures, along with selected organic intellectuals, who provide ideological legitimacy and technical solutions. Below this transnational elite is a small and shrinking layer of middle classes who exercise very little real power but who — pacified with mass consumption — form a fragile buffer between the transnational elite and the world's poor majority. It is in this way that we can speak of a historic bloc in the Gramscian sense as a ruling coalition and a social base in which one group exercises leadership (the TCC) and imposes its project through the consent of those drawn into the bloc. Those from this poor majority who are not drawn into the hegemonic project either through material mechanisms or ideologically are contained or repressed.

The globalist bloc is loosely constituted and the TCC has had difficulty securing its leadership and reproducing hegemony. A necessary condition for the attainment of hegemony by a class or class fraction is the supersession of narrow economic interests by a more universal social vision or ideology, and the concrete coordination of the interests of other groups with those of the leading class or fraction in the process of securing their participation in this social vision. Here, the narrow interests of transnational finance capital (currency speculators, bankers, portfolio investors, etc.) seems to hold out the prospect of frustrating a hegemonic project. As well, a unified social vision has been difficult to secure because distinct sectors of the TCC have often sought different and even conflicting solutions to the problems of global capitalism based in the historic experiences of their regional systems. In this section we shift the narrative from conceptual and theoretical issues to political and conjunctural analysis of the TCC, including strategic debate and tactical differences within its ranks, and in particular, rising splits and factional disputes.[19]

The globalists consolidated ideologically in the early 1980s under the program of the "Washington Consensus" (Williamson, 1993), or global neoliberalism, first launched by the Reagan and Thatcher regimes. Neoliberalism as a model for economic restructuring seeks to achieve the conditions in each country and region of the world for the mobility and free operation of capital. The program seeks to harmonize a wide range of fiscal, monetary, industrial, and commercial policies among multiple nations, as a requirement for fully mobile transnational capital to move simultaneously, and often instantaneously, across numerous national borders. In addition to fiscal, monetary, exchange and related measures intended to achieve macroeconomic stability, restructuring includes: liberalization of trade and finances, which opens the economy to the world market; deregulation, which removes the state from economic decision making (but not from activities that service capital); and privatization of formerly public spheres that could hamper capital accumulation if criteria of public interest over private profit are operative. Neoliberalism thus generates the overall conditions for the profitable ("efficient") renewal of capital accumulation through new globalized circuits, and facilitates the subordination and integration of each national economy into the global economy. The neoliberal model finds its legitimation in neoclassical economics, and in the globalist rhetoric of free trade, growth, efficiency, and prosperity. Global neoliberalism

19 Here *faction* is distinguished from *fraction*, as defined earlier, and refers to clusters that are drawn together in pursuit of shared political objectives within diverse specific settings.

also entails building a new legal and economic superstructure for the global economy. This process parallels the nation-building stage of early capitalism that constructed an integrated national market with common laws, taxes, currency, and political consolidation around a common state. Globalization is repeating this process, but on a world scale.[20]

By the earlier 1990s, the globalists had achieved what appeared as a veritable Gramscian consensus around the neoliberal project. It was indeed a *consensus* in that: it represented a congruence of interests among the dominant groups in the global system; these interests were being advanced through institutions that command power (the world's states and the TNS apparatus); and this consensus had achieved ideological hegemony by setting the parameters for, and the limits to, debate among subordinate groups around the world on options and alternative projects. In this sense, the "Washington consensus" reflected the emergence of a new global capitalist hegemonic bloc under the leadership of the TCC. However, cracks in the consensus had become apparent by the close of the decade.

Splits in the Globalist Bloc

The world recession of the 1990s and the sequence of crises, from Mexico in 1995, to Asia in 1997, followed by Russia and Brazil in 1998, exposed the fragility of the world monetary system and caused rising alarm and exposed important contradictions and growing splits in the globalist bloc. The more deeply rooted and complex global capitalism becomes the more each shock to the system generates tensions within the ranks of the TCC. The TCC has become increasingly fragmented in its globalist discourse, in its political vision, and in its ideological coherence. The globalist ruling bloc has three main groups or factions: the free-market conservatives, the neoliberal structuralists, and the neoliberal regulationists. The debates that dominate the

20 David Rothkope, managing director of Kissinger Associates and a senior official of the Department of Commerce during Clinton's first term, has noted: "The global market place is being institutionalized through the creation of a series of multilateral entities that establish common rules for international commerce. If capital is to flow freely, disclosure rules must be the same, settlement procedures consistent, and redress transparent. If goods are also to move unimpeded, tariff laws must be consistent, customs standards harmonized, and product safety and labeling standards brought into line" (1997, 44).

summits of power in global society do not correspond to the familiar political categories of the pre-globalization era. The distinct positions of these factions have less to do with narrow economic–corporate interests than with strategic political issues of *class rule*. Foremost is the question of how best to structure the new global economy, achieve world order, and assure the long-term stability and reproduction of the system.

All three factions are "globalist" in that their projects are to construct global capitalism; they all speak for the TCC rather than for national capitals. Moreover, all three are neoliberal in that none question the essential premises of world market liberalization and the freedom of transnational capital. In a nutshell, the free-market conservatives call for a complete global laissez-faire based on an undiluted version of the Washington consensus. The neoliberal structuralists want a global superstructure that could provide a modicum of stability to the volatile world financial system, adjusting the Washington consensus without interfering with the global economy. And the neoliberal regulationists call for a broader global regulatory apparatus that could stabilize the financial system as well as attenuate some of the sharpest social contradictions of global capitalism in the interests of securing the political stability of the system. They envision creating a post-Washington globalist consensus. However, even the regulationists do not propose any sort of a global Keynesianism that might involve redistribution or state controls on the prerogatives of transnational capital.

The leading globalist faction is the structuralists, including figures such as President Bill Clinton, George Bush (Junior and Senior), Newt Gingrich, World Bank President James Wolfensohn, IMF Managing Director Michel Camdessus, currency speculator George Soros, many Trilateralists and executives of TNCs and major financial institutions. They have had important success in rapidly developing an incipient infrastructure for the global economy, such as the NAFTA and the GATT, establishing the WTO, and expanding the power of the IMF and World Bank. What distinguishes this faction is its adherence to neoliberal political and economic policies, its concern to build a stable and regulated environment for global accumulation, and its effort to protect world financial institutions from ruin and failure. Of the $1.3 trillion invested daily in currency markets, some two-thirds is held for seven days or less. Only one percent of all speculative transactions stay put for a year or longer. Huge profits are made possible because this instability and quick movement of money results in rapid fluctuations of currency values. It is the prospect of extreme market instability generated by this frenzied global financial activity that the structuralists find so unsettling. "Markets can move like a wrecking ball, knocking over one economy after another," George Soros has warned. "The swings cannot be avoided altogether, but they need to be brought under control" (cited in Harris, 1999, 4).

This fear was brought home by the Asian crash. Propelled by the overnight devaluation of Asian currency and the tidal wave of bankruptcies, the IMF stepped in to expand control over international monetary policies with a $120 billion bailout of Asia (followed by another $42 billion to Brazil). This bailout sparked a cascading debate among the globalists. Conservatives opposed such structural interference in the free market and regulationists raised the tone of their concern over neoliberal social policies. Much of the discussion focused on stricter regulations of financial institutions, better market supervision of risk management practices, and how to respond to the social fallout resulting from IMF policies. The debate also revealed growing differences between the World Bank and IMF. In fact, the IMF has increasingly been at the center of the debate in the globalist camp. The Fund used the Asian crisis to place greater leverage on third-world countries to further open up to global corporations. In opposition to the IMF's apparent structuralist approach, the World Bank has advanced regulationist arguments. Its 1997 report, *The State in a Changing World*, questioned the promotion of the "minimalist state" and argued for a larger governmental role in protecting and correcting markets. The report sought to move "attention from the sterile debate of state and market to the more fundamental crisis of state effectiveness" (25). While the report stressed that free market policies should be maintained and in fact deepened, it emphasized that " liberalization is not the same as deregulation" and argued that the state's purpose is in "safeguarding the health of the financial system" (65). In a second report in November 1998 the Bank focused its criticism on particular features of IMF policies. Targeted were the IMF's rapid push for total financial liberalization, the need to control short-term investments, and greater aid for the poor.

The differences here are more of tactics than strategy. The debate is not over free trade, open markets, or long-term foreign investments. Rather it centers on how best to protect the global financial system. Camdessus believes that the current world crisis can be tamed by moderate policy adjustments regarding international regulation and oversight but that IMF policies are basically correct and already showing signs of success in Asia. The same approach was taken by President Clinton's former Secretary of Treasury Robert Rubin, his replacement, Lawrence Summers, and Britain's Prime Minister Tony Blair. For structuralists grouped around the IMF the global crisis calls for greater centralization. Italian Treasury Minister Carlo Azeglio Ciampi called for the IMF's Interim Committee to become the "embryo" of an economic government for the world. The Interim Committee, which Ciampi chairs, seats finance ministers from 24 core countries. Ciampi argues that the Committee should "become the main channel of communication between the international financial community and national decision-makers" because the crisis makes it "necessary to reinforce the instruments for intervention by international financial institutions" (AFP, 1998). The IMF, in his view, should become this instrument, circumventing any national control over economic policy.

The conservatives are the most ideologically driven sector among the globalists. Representing this trend are former Secretary of State George Schultz, former Citibank CEO and speculator Walter Wriston, former Treasury Secretary and international speculator William Simon, Reagan-era economists Lawrence Kudlow and Martin Feldstein, President of the Heritage Foundation Edwin Feulner, and Ian Vasquez of the Cato Institute. Deeply influenced by Milton Freedman, this sector sees any bureaucratic central planning as interference in the pure functioning of the market. As Kudlow has stated: "IMF statism is no better than Soviet statism" (Lerner News Hour). Conservatives argue that the market needs to carry its own risks, and firms must be allowed to fail without being saved by international agencies. It is within this process that a Schumpeterian "creative destruction" occurs. Money is freed from bad management and goes to those who know best how to invest. Bankruptcy, or the destructive side of capitalism, is necessary to free capital to be used to create new wealth. "Capitalism without bankruptcy is like Heaven without Hell," according to Kudlow (*ibid.*). Schultz, Simon and others have actually called for the abolition of the IMF. As argued by Wriston, the power to change government policies is best left to international financiers, not bureaucratic agencies: "Money is asserting its control over government, disciplining irresponsible policies, and taking away free lunches everywhere. If your economic policies are lousy, the market will punish you instantly. I'm in favor of this kind of economic democracy" (1998, 202–203).

A Post-Washington Consensus?

While the factional dispute between structuralists and conservatives rages, since the Asian crash and Russian debacle the regulationists have been growing in importance. Regulationists support free markets, privatization, and the structures of global capitalism. But with expanding poverty they have come to question the complete deregulation of labor markets, cuts in social services, and government's abdication of a modicum of regulation. They want to use global political and regulatory structures to tame the most destructive features of the free market. They recognize the vast inequalities created by unregulated capitalism, and fear the political upheavals that may result.

As the crisis in Asia spread to Russia and Brazil some structuralists like Kissinger and Wolfensohn, along with Harvard economist and WEF administrator Jeffrey Sachs, began to share some of the concerns of the regulationists and debated how best to address the political and social fallout of the crisis. Wolfensohn, perhaps pushed by liberals such as Joseph Stiglitz inside the World Bank, has expressed concern for those thrown into poverty by IMF policies. Following the resignation of Indonesian President Suharto, Henry Kissinger joined the debate, expressing fear that "the indiscriminate globalism of the 1990s may generate a worldwide assault on the very concept of free financial markets" in the same manner that early capitalism "spawned Marxism" (1998). Upset over the political explosions then sweeping Indonesia, Kissinger complained that the "IMF has utterly failed to grasp the political impact of its actions" because of its "excessive emphasis on economics" (*ibid.*). Supporting Wolfensohn's position, he argued that states should provide a "social safety net and curb market excesses by regulation."

Some regulationists have actually questioned important aspects of the Washington Consensus as the best way forward for constructing the global economy. This wing of globalists in the United States includes a significant faction of the Democratic Party, with such spokespersons as Congressmen Dick Gephart and Dave Bonior, former

Secretary of Labor Robert Reich, plus a growing number of influential economists and business figures. In Europe, Asia, and the Third World, it is represented by major labor and social democratic parties, such as Blair's "new" Labor, the social democrats in Germany and France, the ruling coalition in Brazil, and Japan's Vice Finance Minister Elsuhe "Mr. Yen" Sakakibara. Despite their nationalist and protectionist rhetoric (which is often their legitimizing discourse) these groups do not represent national fractions of capital but are committed to global capitalism. However, they have called for stronger labor standards and environmental protection in the growing number of international agreements, and some argue for a slowdown in capital mobility using different regulatory devices.

For his part, although he is a currency speculator, George Soros has stated that his fellow speculators threaten to destroy the very system that has created their wealth. In *The Alchemy of Finance* he claims: "Instability is cumulative, so that the eventual breakdown of freely floating exchange is ensured" (1994). As a result, he argues, the private sector is "ill-suited to allocate international credit" because its goals are to maximize profits and not maintain macroeconomic stability. His solution is to create a new International Credit Insurance Corporation that would guarantee loans by setting a ceiling on the amounts insured. Speculative investments beyond insured amounts would be lost through failures, rather than being saved by IMF bailouts. Soros understands that further regulation will "outrage the financial community," but in his view "the main enemy of the open ["democratic"] society is no longer the communist but the capitalist threat" (cited in Harris, 1999, 4).

What these varied pronouncements point to is growing cracks in the Washington consensus, as perhaps best expressed by Joseph Stiglitz, Senior Vice President and chief economist of the World Bank, former Chair of the U. S. Council of Economic Advisors, and a key voice in the regulationist wing. In an April, 1998 speech delivered in Helsinki, Stiglitz launched a major criticism of the Washington consensus, calling it "incomplete and misleading." Stiglitz, an important organic intellectual of the TCC, argued that "government has an important role in responding to market failures" and "in appropriate regulation, industrial policy, social protection and welfare." Stiglitz called for a post-Washington consensus that would expand the role of government to provide universal education, transfer technology to the public sphere, and enable increases in living standards, improved health, and a healthy environment.

Towards a New Political Configuration? The "Third Way" and the Politics of Exclusion

Will a new political configuration emerge out of these splits and tendencies within the TCC? What would the politics of such a configuration look like? The rise of the regulationists and the increasing marginalization of the free-market conservatives suggest that the first phase in the project of the globalist bloc may be coming to an end. The rise of a new order always involves a "revolutionary" phase that brings down the old one it is replacing, following by a more "moderating" phase in which the new order is stabilized and institutionalized. The revolutionary phase in the rise to hegemony of transnational capital and the TCC was launched by the Reagan and Thatcher regimes (indeed, the Reagan administration was dominated by free-market conservatives). The globalist project appeared in the 1980s in its more dogmatic and ideological form. The institutional structures of the old system were assaulted and brought down with their militancy and extreme form of neoliberalism; the old system in the period preceding globalization were diverse Keynesian welfare and developmentalist regimes around the world. But by the late 1990s it appeared that the globalist project was moving into a moderating phase in which structuralists and regulationists were beginning to coalesce around a new political configuration.

This configuration is the so-called "Third Way," once again first promulgated in the United States and Great Britain, in the form of the Clinton and Blair regimes, as institutional stabilizers of the new order. By the late 1990s, with the rise of Chancellor Gerhard Schroder in Germany, the Third Way (also called the "New Middle") began to crystallize around this triad as an emergent political project of global capitalism, and to acquire adherents in numerous countries around the world, from Brazil and New Zealand to South Africa, from Spain and Taiwan to Argentina and Japan. Murphy (1999) reviews competing strategic approaches to world order among the global elite. He identifies five political positions: "neoliberalism"; "Third Way liberalism"; a "softer Third Way liberalism"; a "global social democratic view"; and an "accountable humanitarian" view. He predicts the coming triumph of "Third Way liberalism" (or "soft neoliberals"), which seems to be a hybrid of what we refer to here as neoliberal structuralists and regulationists. A Third Way ideology, in his analysis, is likely to become hegemonic in the face of the intractable problems and the legitimacy crisis of neoliberalism The program, however, would not question the premises of an ever more open and integrated global economy.

If the globalist project finds its intellectual legitimation in neoclassical economics, the Third Way draws as well on the "new institutional economics" without actually questioning free-market principles or challenging the prerogative of capital (it is no wonder that Joseph Stiglitz of the World Bank is also a leading economist from the new institutionalist school). The new institutional economics emphasizes the problems of economic coordination in the free market and their resolution through the management activities of "experts" in the state. Theoretically, this approach argues that the state, which has the authority to create money, influence interest rates, encourage technical development and research through educational and regional policy, and so on, can influence economic activity without interfering directly in the market by creating a more predictable economic environment (see, *inter alia,* Cole, forthcoming). In the Third Way discourse, this is "an enabling rather than a bureaucratic government" (Democratic Leadership Council, 1999). Here we may note that the rise of an economic doctrine that emphasizes the coordination of individual producers and the provision of an optimal institutional and infrastructural environment for capital, without challenging the prerogatives of capital, closely mirrors the rise of post-Fordist "flexible" models of accumulation, or the so-called "New Economy." The doctrine emphasizes complex coordination among decentralized and vertically disintegrated production processes, as well as a new and more sophisticated infrastructural environment, such as communication grids and information highways — "goods" which the more "pure" neoliberal laissez-faire state is ill-equipped to provide.

Third Way politicians have placed unemployment, poverty, and inequality back on the economic policy agenda, although these are no longer to be tackled through state interventionist mechanisms. The program reaffirms the set of macroeconomic fiscal and monetary policies associated with neoliberalism, the withdrawal of the state from "economic issues" (state regulation of capital) and the continued rollback of the welfare state. But these aspects are combined with a new emphasis on "social issues" and a quite liberal stance on these matters, emphasizing, in the best bourgeois tradition, equality of opportunity, a new political culture of "market individualism," and local political decentralization. Social programs such as education and health care that generate the "human capital" which high-tech information capitalism requires are given high profile, as is the creation of a "flexible labor market." If, in Frederick Jameson's (1984) famous assessment, post-modernism is the "cultural logic" of late capitalism, the Third Way may turn out to be the emerging "political logic" of global capitalism, with its attendant forms of flexible accumulation.

But can a "Third Way" political configuration stabilize the rule of the TCC? No emergent ruling class can stabilize a new order without developing diverse mechanisms of legitimation and securing a social base — the construction of what Gramsci called a historic bloc. Such a bloc involves a combination of the consensual integration through material reward for some, and the coercive exclusion of others that the system is unwilling or unable to coopt.

Global society is increasing characterized by a three-tiered social structure. The first tier is made up of some 30–40% of the population in core countries and less in peripheral countries, those who hold "tenured" employment in the global economy and are able to maintain, and even expand, their consumption. The second tier, some 30% in the core and 20–30% in the periphery, form a growing army of "casualized" workers who face chronic insecurity in the conditions of their employment and the absence of any collective insurance against risk previously secured by the welfare state. The third tier, some 30% of the population in the core capitalist countries, and some 50% or more in peripheral countries, represents those structurally excluded from productive activity and completely unprotected with the dismantling of welfare and developmentalist states, the "superfluous" population of global capitalism (see, *inter alia*, Hutton, 1995; Hoogvelt, 1997).

Within this polarized social structure, the Third Way is seeking to secure a firm social base in the first tier, to draw in the second tier, and to contain the third tier. In this "politics of exclusion" the problem of social control becomes paramount. There is a shift from the social welfare state to the social control (police) state, replete with the dramatic expansion of public and private security forces, the mass incarceration of the excluded population (disproportionately minorities), new forms of social apartheid maintained through complex social control technologies, repressive anti-immigration legislation, and so on. It has also entailed, under the Third Way's deceptive discourse of "local politics" and "community empowerment," a shift in the responsibility for social reproduction from the state and society as a whole to the most marginalized communities themselves.[21] This is, as Hoogvelt notes, an attempt to "contain territorially and ideologically" excluded groups, to organize "the poor and the marginalized to care for and contain and control themselves" (1997, 49).

In sum, it is not clear that the globalist bloc will consolidate its economic and political hegemony. The fragility of the world monetary system will be a source of growing tensions within the inner circles of the TCC as it searches for a formula that could impart some regulatory order to the system. However, the principal source of tension will be over how to avert the threat from below. It is not clear in the new epoch how the contradictions of global capitalism will be played out, in particular, those of overaccumulation and worldwide social polarization. But these contradictions and the tensions they generate within the globalist bloc certainly open up new opportunities for emancipatory projects from global labor. An expanding transnational proletariat is the alter ego of the TCC. Struggle between the two will shape the further class development of the new global ruling class and the dynamics of emerging global society.

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21 Here is how Third Way documents put it: "The Third Way philosophy seeks . . . an ethic of mutual responsibility that equally rejects the politics of entitlement and the politics of social abandonment . . . new approaches to governing that empowers citizens to act for themselves" (Democratic Leadership Council, 1999).

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Box 13.5 The rise of IPE in international relations

1965	US government expenditure increases as America's involvement in Vietnam widens and expenditure on the 'Great Society' programmes at home commence.
1968	Cooper's *The Economics of Interdependence* is published.
1969	US multinational corporations produce approximately $140 billion worth of goods i.e. more than any single economy except the USA and USSR; many of the largest place over half their total assets abroad, earning more than half their total earnings overseas.
1971	President Nixon suspends the convertibility of the US dollar into gold (which leads to the floating of major currencies in 1973).
1972	US–USSR Summit fuels hopes for new economic opportunities afforded by *détente;*
	President Nixon's visit to China;
	European Economic Community further strengthened by accession of UK, Ireland, and Denmark.
1973	OPEC's oil embargo increases price of energy and bolsters developing countries' aspirations to use commodity power.
1973	Tokyo Round of GATT trade talks takes place as Japan and newly industrializing countries emerge as major competitors in world trade, sparking a new protectionism in industrialized countries.
1974	Developing countries push for a New International Economic Order in the General Assembly of the United Nations, including greater control over multinational corporations; and reform of global economic institutions.
1977	Keohane and Nye's *Power and Interdependence: World Politics in Transition* is published.

Finally, the end of the cold war thrust international institutions into the limelight. The United Nations, the IMF, the World Bank, and the newly created World Trade Organization all became an important focus of study and attention, providing further grist to the mill of IPE scholars concerned with examining the causes, determinants, and impact of international institutions and cooperation among states in economic affairs.

Key Points:

- The rise of IPE as a prominent subject in international relations was due in part to the decline in US economic preponderance and the challenge to traditional notions of power and security posed by the US failure in Vietnam.
- The rise in importance of IPE was also associated with new economic challenges in the 1970s, including the OPEC oil price rise and the developing countries' push for a NIEO which highlighted theories focusing on the nature and structure of the world economy.
- The economic challenges of both the end of the cold war and globalization have further underlined the centrality of IPE in the study of international relations.

Traditional approaches to IPE: liberal, mercantilist, and Marxian

There are several competing explanations for the nature of the institutions and system described above. A slightly old-fashioned way to describe the competing approaches to IPE is to divide the subject into liberal, mercantilist, and Marxist traditions. These labels still usefully describe different economic traditions each of which has a particular moral and analytical slant on global economic relations.

The liberal tradition

The liberal tradition is the **free market** one in which the role of voluntary exchange and markets is emphasized both as efficient and as morally desirable. The assumption is that free trade and the free movement of capital will ensure that investment flows to where it is most profitable to invest (hence, for example, flowing into underdeveloped areas where maximal gains might be made). Free trade is crucial for it permits countries to benefit from their comparative advantages. In other words, each country can exploit its own natural advantages, resources, and endowments and gain from specialization. The economy is oiled by freely exchangeable currencies and open markets which create a global system of prices which, like an **invisible hand**, ensures an efficient and equitable distribution of goods and services across the world economy. Order in the global economy is a fairly minimal one. The optimal role of governments and institutions is to ensure the smooth and relatively unfettered operation of markets. It is assumed that governments face a wide range of choices in the world system and likewise vis-à-vis their own societies and populations. This means that governments who fail to pursue 'good' economic policies do so because decision-makers are either too corrupt or too ignorant of the correct economic choices they might make.

The mercantilist tradition

The mercantilist tradition stands in stark contrast to the liberal one. Mercantilists share the presumptions of **realists** in international relations. They do not focus on individual policy-makers and their policy choices but rather assume that the world economy is an arena of **competition among states** seeking to maximize relative strength and power. Simply put, the international system is like a jungle in which each state has to do what it can to survive. For this reason, the aim of every state must be to maximize its wealth and independence. States will seek to do this by ensuring their self-sufficiency in key strategic industries and commodities, and by using trade protectionism (tariffs and other limits on exports and imports), subsidies, and selective investments in the domestic economy. Obviously, within this system some states have more power and capability than others. The most powerful states define the rules and limits of the system: through hegemony, alliances, and **balances of power**. Indeed, stability and order will only be achieved where one state can play the role of hegemon, or in other words, is willing and able to create, maintain and enforce basic rules. Amidst this, the economic policies of any one government will always be subservient to its quest to secure the external and internal sovereignty of the state.

The Marxian tradition

The Marxian tradition also sees the world economy as an arena of competition, but not among states. Capitalism is the driving force in the world economy. Using Marx's language, this means that world economic relations are best conceived as a **class struggle** between the 'oppressor and the oppressed'. The oppressors or capitalists are those who own the 'means of production' (trade and industry). The oppressed are the working class. The struggle

Box 13.6 Traditional perspectives on IPE

Liberal	Mercantilist	Marxist
The world economic has potential to be a seamless global marketplace in which free trade and the free movement of capital shape the policies of governments and economic actors. Order would be achieved by the 'invisible hand' of competition in the global marketplace.	As an arena of inter-state competition, the world economy is one in which states seek to maximize their wealth and independence vis-à-vis other states. Order is achieved only where there is a balance of power or hegemony.	The world economy is best described as an arena of capitalist competition in which classes (capitalists and workers) and social groups are in constant conflict. Capitalists (and the states they are based in) are driven by the search for profits, and order is achieved only where they succeed in exacting the submission of all others.

between the two arises because capitalists seek to increase their profits and this requires them to exploit ever more harshly the working class. In international relations this description of 'class relations' within a capitalist system has been applied to describe relations between the **core** (industrialized countries) and **periphery** (developing countries), and the unequal exchange which occurs between the two. **Dependency theorists** (who have focused mainly on Latin America) describe the ways classes and groups in the 'core' link to the 'periphery'. Underdevelopment and poverty in so many countries is explained as the result of economic, social, and political structures within countries which have been deeply influenced by their international economic relations. The global capitalist order within which these societies have emerged is, after all, a global capitalist order which reflects the interests of those who own the means of production.

It becomes clear in contrasting these traditions of thinking about international economic relations that each focuses on different actors and driving forces in the world economy, and that each has a different conception of what 'order' means and what is necessary to achieve it.

Comparing the different traditions also highlights three different **levels of analysis**: the structure of the international system (be that international capitalism or the configuration of power among states in the system) the nature of a particular government or competition within its institutions, and the role of interest groups and societal forces within a country. At each of these levels of analysis we need to ask: what drives the actors concerned and therefore how might we explain their preferences, actions and the outcomes which result? In answering this question we enter into more methodological preoccupations which today divide the study of IPE.

Key points

- The labels liberal, mercantilist, and Marxian usefully describe three different analytical and moral starting points for the study of global economic relations.
- The liberal (or neo-liberal) perspective presents global economic order as the result of the relatively unfettered operation of markets, guided by rational individual policy-makers.
- Mercantilists describe the world economy as an arena for inter-state competition for power.
- Marxian analyses focus on the structure of the world capitalist economy, proposing that state and government choices simply reflect the preferences of those who own the means of production.
- The three traditional perspectives usefully highlight different actors, different processes, and different 'levels of analysis' in the study of IPE.

New approaches to IPE

IPE is divided by the different normative concerns and analytical questions which are highlighted by the traditions outlined above. Equally, the discipline is now subject to a lively **methodological debate** about how scholars might best explain policies and outcomes in IPE. In essence this debate is about whether you can assume what states' (and other actors') preferences and interests are. If you can, then rational choice (or 'neo-utilitarian') approaches to IPE make sense. However, if you open up the question as to why and how states and other actors come to have particular preferences, then you are pushed towards approaches now often labelled 'social constructivism'.

What is 'rational choice' or neo-utilitarianism?

In the United States, the study of IPE has become dominated by a 'rational choice' or neo-utilitarian approach. This borrows economic concepts to explain politics. Instead of exploring the ideas, personalities, ideologies, or historical traditions which lie behind policies and institutions, rational choice focuses on the **incentive structure** faced by those making decisions. It is assumed that actors' interests and preferences are known or fixed and that actors can make strategic choices as to how best to promote their interests. The term 'rational choice' is a useful one to describe this approach since it proposes that even though a particular policy may seem stupid or wrong, it may well have been rational. 'Rational' in this sense means that for the actor or group concerned, this was the optimal choice given the specific incentives and institutional constraints and opportunities that existed at the time (see Ch. 9).

The rational choice approach can be applied to any one of the several levels of analysis highlighted above: to individual decision-makers, to interest groups, to sectors in the economy, to parts of the government bureaucracy, or indeed to states in their interactions with other states. Let us examine two different applications of rational choice.

Political economy: the application of rational choice to groups within the state

Rational choice has been applied to interest groups and their influence on IPE in what has been called a **political economy approach**. This approach has its roots in explanations of trade policy which focus on interest groups. More recent applications have attempted to explain why countries adapt in particular ways to changes in the world economy. The analysis proceeds on the assumption that governments and their policies are important but that the policies and preferences of governments reflect the actions of specific interest groups within the economy. These groups may emerge along class or sectoral lines, indeed, the assumptions of rational choice are applied to explain how particular groups within the economy emerge and what their goals and policy preferences are. Furthermore, rational choice provides a framework for understanding the coalitions these groups enter into and their interactions with other institutions. For example, in explaining developing country responses to the debt crisis of the 1980s, a political economy approach starts out by examining the effect of **economic shocks** such as high interest rates and structural adjustment on interest groups. By demonstrating that the power of some interests (such as those working in the export sector) has increased and the power of others (such as those working in industries relying on diminishing state subsidies) has diminished, the approach proffers an explanation for radical shifts in government policies.

Institutionalism: the application of rational choice to states

A different application of rational choice lies in the **institutionalist approach** to IPE (about which more is said in the last section). This approach applies the assumptions of rational choice to states in their interaction with other states. Drawing on theories of **delegation and agency**, it offers an explanation as to why institutions exist and for what purposes. The core assumption is that states create international institutions and delegate power to them in order to maximize utility within the constraints of world markets and world politics. Frequently this comes down to the need to resolve collective-action problems. For example, states realize that they cannot achieve their goals in areas such as trade or environment, unless all other states also embark upon a particular course of action. Hence, institutions are created to ensure that there is no defection or free-riding, and the collective goal is achieved.

Social constructivism

In contrast to rational choice analysis, other approaches to international political economy assume that policies within the world economy are affected by **historical** and **sociological factors**. Much more attention is paid to the ways in which actors formulate preferences, as well as to the processes by which decisions are made and implemented (see Ch. 11). In other words, rather than assuming that a state or decision-maker's preferences reflect rational choices within given constraints and opportunities, analysts in a broader tradition of IPE, examine the beliefs, roles, traditions, ideologies and patterns of influence which shape preferences, behaviour and outcomes. More will be said below about social constructivism in general. Let us focus here on one particular variant.

The neo-Gramscian approach: a radical variant

One strand of thinking about how and why actors have particular preferences draws on the ideas and insights of Italian political theorist Antonio Gramsci to highlight the role of **politics, law, culture,** and **knowledge** generally in shaping the preferences and policies of actors. The starting point here is that interests, actions, and behaviour in the world economy all take place within a structure of ideas, culture, and knowledge. We cannot simply assume that the preferences of actors within the system reflect objectively definable competing 'interests'. Rather, the way actors understand their own preferences will depend heavily upon prevailing beliefs and patterns of thinking in the world economy, many of which are embodied in institutions. The question this poses is: whose interests and ideas are embodied in the rules and norms of the system?

For neo-Gramscians the answer to the question 'in whose interest' lies in **hegemony**. The dominant power within the system will achieve goals not just through coercion but equally by ensuring the consent of other actors within the system. This means that dominant powers will promulgate institutions, ideologies and ideas all of which help to persuade other actors that their best interests converge with those of the dominant power. For example, neo-Gramscians interpret the dominance of neo-liberalism since the 1980s as a reflection of US interests in the global economy, successfully projected through structures of knowledge (it became the dominant paradigm in top research universities), through institutions (such as the IMF which became forceful proponents of neo-liberal policy prescriptions), and through broader cultural beliefs and understandings (the very language of 'free' market contrasting with restricted or repressive regimes).

New approaches to IPE highlight a powerful debate within the subject about whether we should treat states' interests and preferences as given or fixed. We return to this question in the final section of this chapter. There we will examine why states form institutions and what role such institutions might play in managing globalization. First, though we need to establish what is globalization in the world economy and what are its implications.

Key points:

- Rational choice explains outcomes in IPE as the result of actors' choices which are assumed always to be rationally power- or utility-maximizing within given particular incentives and institutional constraints.
- Political economy applies rational choice to sub-state actors such as coalitions, interest groups, and bureaucrats in order to explain outcomes in a state's foreign economic policy.
- Institutionalists apply rational choice to states in their interactions with other states in order to explain international cooperation in economic affairs.
- Constructivist approaches pay more attention to how governments, states, and other actors construct their preferences, highlighting the role of identities, beliefs, traditions, and values in this process.
- Neo-Gramscians highlight that actors define and pursue their interests within a structure of ideas, culture, and knowledge which itself is shaped by hegemonic powers.

Box 13.7 Examples of new approaches to IPE

Institutionalist	Political economy	Neo-Gramscians
Institutionalists regard the world economy as an arena of inter-state co-operation. They see the core actors as governments and the institutions to whom they delegate power and the key driving forces as rational choice at the level of the state motivated by the potential gains from co-operation. For institutionalists the key condition for order is the existence of international institutions which permit co-operation to continue.	For political economists the world economy is characterized by competition among vested interests within different kinds of states and the core actors are interest groups formed within the domestic economies of the states. The key driving force is rational choice at the level of groups within the domestic economy responding to changes in the international economy. Political economists are not concerned with theorizing about the conditions necessary for international order.	Neo-Gramscians see the world economy as an overarching structure of knowledge, ideas, and institutions which reflects the interests of dominant actors and within which competition takes place. They regard the structure of the system itself as vital in understanding the identities and preferences of the actors. For neo-Gramscians the key driving force of the system is capitalist competition, which is then constrained by the need of the powerful to gain the consent of the less powerful. Neo-Gramscians view simple dominance by one state as an insufficient condition for international order. Instead, they believe that hegemony requires control over the structures of knowledge and ideas as well.