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Martin Beckmann, Hans-Jürgen Bieling,
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The Emergence of a New Euro Capitalism?

Implications for Analysis and Politics

Contributions by: Hans-Jürgen Bieling, Dorothee Bohle, Frank Deppe, Sam Gindin/Leo Panitch, John Grahl, Christoph Scherrer

FEG am Institut für Politikwissenschaft des Fachbereichs Gesellschaftswissenschaften und Philosophie der Philipps-Universität Marburg

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Preface

The character of the European integration has changed subsequent to integration thrust from the mid 1980s onwards. Each new initiative such as the Single Market or EMU and treaty changes have caused many impulses for the modernisation of the European economy. This study, which is based on papers presented and discussed at the conference 'The Emergence of a new Euro Capitalism? Implications for Analysis and Politics' held on October 11th/12th 2002 by the Forschungsgruppe Europäische Gemeinschaften (FEG) at the Institute of Political Science in Marburg, tries to answer the political economic question whether the structural changes within the framework of continental capitalism indicate the evolution of a new and specifically European type of capitalism.

Analysing the changing mode of economic accumulation and political regulation in Europe gives rise to several questions. Will national differences in the European Union be adjusted because of political integration and cross border interconnections between economic actors (transnational mergers & acquisitions etc.) or will the divergence between national models persist? Furthermore, beyond this interior perspective the European Capitalism and the European Integration are inextricably linked with the dominant military, political and economic force of the United States. This raises the question what kind of capitalism is developing in Europe. Does Europe create a model which is distinct from US capitalism or are we witnessing the emergence of a transatlantic capitalism? The dynamics of the global financial markets are of particular relevance for the European development. As the Lisbon strategy suggests, the European political actors hope that integrated financial markets will provide the basis for a comprehensive growth process and strengthen the Euro in competition with the dollar.

The general changes of global capitalism in the 90s, especially the growing relevance of the financial markets for the sphere of production and the private households, and their implications for European integration gave the incentive for composing the publication. European societies are faced with the development of a finance-led growth regime implying tremendous alterations of the welfare state or the systems of corporate governance and finance. To broaden this political economic perspective contributors will analyse the wider dimensions of the integration process such as the transatlantic relations or the Eastward enlargement of the EU. Finally, the social dimension will be discussed. Which opportunities do new social movements have and how do trade unions react to the new challenges?

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Marburg, April 2002 Martin Beckmann, Hans-Jürgen Bieling, Frank Deppe

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Inhalt

John Grahl

Financial Integration and European Society

Introduction

These notes are directed against two widespread misconceptions about the nature of the financial changes taking place in the EU today. Firstly, there is the notion that these changes are, in essence, the outcome of a well-defined political agenda (the exaggerated estimation that is frequently made of *neoliberalism* as a political antagonist). Secondly, there is the notion that many aspects of financial change could be easily resisted at the level of public policy (financial voluntarism, or the notion that economic programmes can be designed without close reference to financial mechanisms, or even in disregard of the latter). The two errors are linked - it is the belief that finance is not basic to the functioning of capitalist economies which leads to the belief that financial change is largely the outcome of hegemonic political strategies, rather than of developments of the productive forces, as well as to the belief that these changes might be simply blocked or reversed by relatively straightforward policy initiatives.[1]

It would be widely agreed that there are two basic forces behind financial change in the EU today:

- most fundamentally, *financial globalisation* - a cumulative series of developments all making for increased interdependence among financial systems and which has taken the form of increasingly dense market interconnections among financial agents; it is important to see that many interests are promoted by these developments - for every frustrated borrower, deprived of the use of domestic financial resources, there is a gratified lender able now to make placements which were previously blocked; corresponding to previously dominant lenders who now face external competition there are borrowers now able to access a wider range of financial possibilities.
- at a regional level, there is a strong political drive towards European financial integration, building on the possibilities opened up by monetary union and expressed currently by the

[1] The quite unjustified claims that have frequently been made as to the feasibility and efficacy of a Tobin tax give a good illustration of these linked mistakes (see Grahl and Lysandrou, 2003).

financial services action plan and by such linked initiatives as the Takeover Directive. These initiatives are central to the EU's current political agenda - they dominate every other form of deepening of the integration process and seem to be seen as even more urgent than the widening of the EU via its eastward enlargement.

A summary assessment will be made of each of these forces.

1. Financial Globalisation

In retrospect, financial globalisation can be seen as moving through various stages, with each new development dependent on the previous stage. In the 1970s the main development was the emergence of a global market in currencies after the collapse of Bretton Woods - a regime within which markets for foreign exchange were, initially at least, subject to effective administrative control. Although the continuous exposure of countries to the immediate constraint of the FX market was a major regime change (one which prepared the way for the monetarist experiments which followed and which led to a reassignment of macro policy instruments which has not been reversed to this day) it seemed at the time that many other aspects of national financial systems were relatively unaffected - certainly the initial growth of the FX market did not lead immediately to an active international market in financial claims as a whole.

The second key stage of financial globalisation, in the 1980s, saw the emergence of a highly internationalised market in public debt. The most important episode here was a two to three year period of very high US interest rates at the beginning of Paul Volcker's tenure as chairman of the Federal Reserve System. Given the pre-existing market in currencies, it proved impossible for other countries to retain full control over their public finances (although things might conceivably have been different had the EU member states shown themselves to be capable of a coherent, unified response). From this era we can date a second regime change: around the world, governments adapted to increasingly open markets in public debt and began to frame their budgetary policies in response to the continuous survey of their debt markets by international investors.

The globalisation of public debt markets has a double meaning for national governments. Compared to their situation within the Bretton Woods system, it represents a clear loss of financial autonomy since governments no longer enjoyed privileged access to domestic financial resources. However, compared to the period of interregnum between the emergence of free currency markets and the disinflation of the 1980s it may represent a certain recuperation of financial control: it is no longer possible to use inflation in combination with financial repression to secure virtually free public finance, but governments whose debt does become internationally tradable have access to a large and stable supply of credit. (The Stability and Growth Pact, in this context, is a crude transitional device which it is pointless to perpetuate: if the budgetary policy of an EU member state satisfies the needs of international bond markets then there is little point in adding an additional arithmetic rule, which in any case bears no relation to the actual solvency of the government concerned; if, on the other hand, sentiment in the bond markets turns decisively against an EU country, formal compliance with the rules of the Stability Pact will be of no avail.[2])

Both key instruments of domestic macroeconomic policy had now been compromised. Nevertheless, some commentators still argued that private finance remained relatively unaffected - appealing to the rather weak relationship between official interest rates (in the money market and the bond market) on the one hand and private investment expenditures on the other, they were able to argue that the circumstances governing industrial investment remained essentially a national question.

Two remarks will be made about these early steps towards financial globalisation. Firstly, although there is no doubt that globalisation took the form of the deregulation and internationalisation of the US financial structure, neither of the two key episodes can be plausibly seen as the result of a deliberate attempt to establish US financial hegemony. Indeed, in both cases the key US policy moves were undeniably defensive. Far from representing a drive for hegemony, Richard Nixon's abandonment of the link between the dollar and gold, in the summer of 1971, was an attempt to create a certain space for domestic expansion on Keynesian lines - it was actually accompanied by measures, ultimately futile, intended to restrict the access of US corporations to off-shore finance. Far from being aimed at dollar supremacy, the Volcker squeeze was undertaken to stem a dangerous slide in the dollar exchange rate (and it might even have been avoided had the Bundesbank been ready to support the dollar). Once the squeeze had been put into effect, and had been seen to draw virtually unlimited capital inflows towards the US, a new situation was certainly created - one which many US interests were able to turn to their advantage. But this outcome was not planned - indeed the immediate

[2] The most direct way to relax the constraints imposed by internationalised bond markets would be for eurozone governments to give reciprocal guarantees of each other's debt. Because this would require close coordination of national fiscal policies it would at the same time put the formulation of a genuinely integrated eurozone fiscal strategy onto the policy agenda. The "autonomy" which is supposedly protected by the existing arrangements is largely illusory because each country faces tighter constraints both from the markets and from the crude discipline of the Stability Pact. Although the latter is increasingly seen as dysfunctional there are as yet no coherent moves to reform it.

effects of dollar appreciation were extremely embarrassing for the US authorities and led, in 1985 and 1986, to the Plaza and Louvre experiments in international policy coordination. To characterise the Volcker shock as a "neoliberal coup" (Gérard Duménil[3]) is thus to ignore every intention and to read human actions only by their unintended outcomes.

Secondly, the moves towards financial globalisation which took place in the 1970s and 1980s are inconceivable without the previous increase in real international economic interdependence. Of key importance was the development, from the 1960s on, of a rapidly growing offshore financial system (eurodollars, then eurobonds and other eurocurrencies). The tensions between offshore and onshore finance eventually became a key source of the drive towards financial deregulation and liberalisation. This set of markets was a certainly by-product of the international expansion of US multinationals, but it was not the expression of US policy. Indeed, the main political support for offshore finance came from the British government, which identified in it, perhaps correctly, an opportunity to perpetuate Britain's overseas financial orientation beyond the collapse of Empire[4].

In other ways, economic internationalisation formed the basis of financial globalisation. It should be remembered that the first European country to move decisively towards liberalisation was West Germany. This was in no way a result of neoliberal economic doctrines - rather, the problem was the generation of massive current account surpluses in consequence of quite mercantilist, but extremely successful, export policies. The chosen weapon in reconciling an undervalued currency with a huge trade surplus was sterilisation, but there are limits to such a policy, in particular when economic disturbances in the US rendered the D-mark a "safe haven" for wealth holders around the world. It was in these conditions that Germany liberalised its capital markets - essentially in an attempt to maximise financial *outflows* and thus to mitigate pressures for currency revaluation. Similarly, the internationalisation of French enterprises proved to be a decisive constraint on the efforts of the French government, 1981-83, to achieve a measure of financial autonomy: the reversal of Mitterrand's internally oriented strategies was not simply a question of macroeconomic difficulties; there were deep industrial problems in trying to set purely domestic targets for externally oriented companies.

Today, the financial supremacy of the US economy is so absolute that commentators tend to see supremacy as the designed outcome of a deliberate strategy. There is no intention here to

[3] In a seminar presentation at University of North London, 2002.

defend US economic policies which have often had the most appalling consequences for other nations, most obviously in the developing country debt crisis which was triggered by the Volcker experiment. But it is a distortion of the historical record to see US policy as involving a continuous drive for supremacy over three decades. Policy was often short-run, often determined by domestic rather than international considerations, often defensive in character. Other actors - especially European governments - made decisive contributions to the globalisation process. And, though there is certainly a deep underlying logic to financial globalisation, that logic is to be explicated in the first instance not by reference to contingent and inconsistent policy moves but by strong trends in the productive forces of advanced capitalist countries - towards ever-increasing interdependence. When a host of productive interrelations are developed among the actors of capitalist economies, these relationships will necessarily have a financial dimension.

The third, more recent phase of financial globalisation relates to the transformation of private, especially corporate, finance. This third phase builds on the second, according to the classical formula that public credit is the basis of private credit. In particular, the most widely traded government bonds tend to become benchmarks for the bond market as a whole, so that the debt of corporations is priced through a risk/return trade-off from the price of government debt: thus the internationalisation of public bond markets may lead to more homogeneous and comparable assessments of corporate debt instruments; this in turn may serve to unify conditions on equity markets since debt and equity are close substitutes in corporate finance. Such indirect chains of causation may have been more important in the globalisation of corporate finance than the direct trading of equity across national frontiers which is still very limited, as is the number of corporations whose shares are traded on more than one bourse. Even if these connections are indirect, the very high correlation between price movements on any two stock exchanges in the advanced economies testifies to a growing degree of interdependence. In this phase of financial globalisation it is harder to find dramatic policy moves, analogous to the devaluation of the dollar or the Volcker shock, which acted as catalysts for financial transformation. The coordinated relaxation of monetary policies in response to the stock market crash of 1987 may have been a significant development; so also, perhaps, the comprehensive liberalisation of European finance in the context of the single market programme of the late 1980s.

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[4] An important episode here was the Kennedy administration's imposition of a withholding tax in the domestic US bond market, which gave an immediate stimulus to the offshore bond market centred in London.

Is this most recent phase of financial globalisation an established reality? There are at least three reasons to pose the question (Grahl, Huffschmid, Plihon, 2002):

- Changes in the pattern of corporate finance in Europe - away from direct dependence on large banks and on "inside" investors - are very recent and only seem to become significant after the launch of the euro in 1999; some changes are difficult to interpret - there was for instance a big expansion of corporate bond issues in 1999 and 2000 but this was very largely linked to a single event, the auction of mobile telephone frequencies at very high prices.
- These changes are far from uniform - a rapid increase in the importance of organised equity markets is detectable in France, while Germany exhibits more institutional continuity; British corporate finance was always closely related to the US model.
- In the wake of the stock market crash, the globalisation of corporate finance in Europe has gone into reverse; equity trading and equity issues have collapsed; some of the more ambitious experiments in equity-based venture capital have been virtually abandoned (the *neue Markt*); re-intermediation is taking place on a large scale as companies, unable to raise equity or debt capital on the organised asset markets, turn back to "inside investors" and to the big banks.

Nevertheless, some quite fundamental changes in corporate behaviour have been identified which suggest that changes in corporate finance may be more than a passing episode (compare the studies of corporate governance undertaken by the Max Planck Institute in Cologne[5]). It should not be forgotten that the traditional, inherited mechanisms of corporate finance in Europe have some significant disadvantages. They may achieve a very stable and precise allocation of financial resources within a given industrial grouping but they attenuate the transfer of resources on a wider scale. Often, also, groups of insiders have frequently relied on the absence of "exit options" to maintain the coherence of their financial-industrial arrangements. Within increasingly open and interdependent economies, the ability of more powerful agents to access external financial markets tends to constrain or even to disrupt such arrangements.

In this context, the current re-intermediation should not necessarily be seen as a return to the financial status quo ante. It does not imply that previous forms of relational banking, based on very close and permanent interactions between particular lenders and particular borrowers, is

[5] http://www.mpi-fg-koeln.mpg.de/

being restored. The large banks themselves are operating in a changed competitive climate, even though there has been limited cross-border merger activity; they themselves may impose relatively standardised conditions on industrial customers, rather than rebuilding the tightly knit coalitions of the past. In this context, the reform of the German system of corporate taxation in 2000 and the pension reform of 2001 both tend to give institutional support for a more market-oriented financial system. The essence of the financial changes which are taking place may not be disintermediation as such, but the *standardisation* which is required for the emergence of wide and deep markets (Lysandrou, 2003): bank credit may persist alongside disintermediated forms of finance such as corporate bonds; but bank credit relationships themselves are increasingly subject to market scrutiny and control. A dramatic demonstration of the changed status of the German banks was given by the recent demotion of Commerzbank by the credit-rating agencies, which may presage a general tightening of the global financial constraints on the German credit system.

A decisive factor may be the new financial environment for the largest and most internationalised enterprises in the OECD countries. The exit possibilities offered to these companies are greater than for other economic actors and it seems unlikely that, having emancipated themselves from local constraints, they would willingly return to the relational insider finance of the past. The productive and market interactions of these enterprises constitute a key component of the structure of interdependence in which globalised finance has emerged. This relates also, perhaps, to an increasing dissociation between large enterprises and national society, not in the sense that the enterprises lose all locational roots, but in the sense that their interests are less aligned with those of other national actors than was the case in the past. The same may be increasingly true of externally oriented financial markets, of globalised regions such as the big metropoles, and of the biggest banks and other financial enterprises. National social systems are treated as resources to be drawn upon in strategic contests taking place on a world scale. It is through the actions of these most powerful players that national autonomy is limited and the strategic choices of other actors are constrained to satisfy external norms and standards. Once again, this outcome reflects fundamental changes in the relations of production more than policy choices driven by a specific ideology. The apprehension of this changed balance of forces finds different forms of ideological expression - being recognised even by trends of thought quite opposed to neoliberalism[6].

[6] The economic liberalisations carried out by Marxist regimes, e.g. China and Vietnam, are obvious examples.

Straightforward contrasts between "Anglo-Saxon" and "European" models of corporate practice are too crude to capture possible changes in the European systems. For example, it now seems extremely unlikely that German corporations will be exposed to hostile takeovers in the same way as corporations in Britain or the US. But there is a large and growing number of agreed takeovers in Germany which may to some extent act as a functional equivalent or German version of the market in corporate control. This question of functional equivalence makes it difficult to reach strong conclusions about system performance from purely institutional evidence; it may represent an important methodological issue in the debate over financial transformations in Europe. There is more than one way to skin a cat. We may see examples of institutional continuity - in industrial relations, for example. But this continuity is compatible with an altered functioning of continental institutions which changes actual economic and social outcomes towards those consistent with the new financial relations (Streeck, 2001).

Discussion of the winners and losers from financial globalisation is sometimes simplistic. From the fact that most of the eighties and nineties were periods of high interest rates, it is sometimes concluded that the process as a whole favours creditors against debtors. Certainly, the initiatives taken by lenders and wealth-holders in the late 70s ("the revolt of the lenders") were a decisive factor leading to the Volcker shock. But it is also the case that the leading financial power is a heavy net debtor.

The role of speculation deserves some consideration. In principle, speculation is a zero-sum game and can hardly account for a consistent financial interest. The period has been one of continuous financial innovation and the innovations, genuine or spurious, have generated huge rewards for the banks and other financial actors which have introduced them. Another source of income for financial actors which can be confused with speculative gains is the exploitation of asymmetries in power and information between the strong and the weak - one usually finds the least informed and weakest investors entering the stock market at the top, for example, allowing the professionals and the insiders to make good their escape. In general, market relations favour the strongest players. The fewer are the social constraints and limitations placed on market behaviour, the more unequal market outcomes can be expected to be.

Since wealth cannot be produced by financial mechanisms, there are limits to the amount of wealth that can be appropriated through financial relations in the absence of real economic development. The present period of financial downturn seems to be squeezing some of the situational rents earned by investment banks and similar actors during the financial upswing and the transformations which were associated with it. Defenders of financial liberalisation have always argued that it reduces the spreads between rates of return available to the original providers of financial resources and those paid by the final users. This argument has seemed to be invalidated by the huge revenues earned by major banks and other powerful agents within liberalised financial systems. Present developments may be leading to an actual cheapening of some financial services - but market structures are hardly such as to guarantee continuous downward pressure on the costs to non-financial agents of using these services.

One sphere in which neoliberal ideology has clearly been of decisive importance is in the functioning of the key international institutions - the IMF and the World Bank. No defence can be made of the doctrinaire formulae which have been ruthlessly applied, over two decades, to the vulnerable populations of heavily indebted developing countries. But two remarks will be made which might qualify a prevalent view of these institutions as the policemen of a global neoliberal project. The first is that the actual role of the IMF, however catastrophic it has been for many countries, is a massive demotion from its place within the Bretton Woods order. The place of the IMF then was to administer the external constraint affecting all countries - international liquidity, under Bretton Woods, was a policy variable: the balance between adjustment and finance of deficit positions, for all countries, was determined by a political process within the IMF; subsequently, in the international debt economy which emerged in the 1970s and 1980s, this balance has been determined, for industrialised countries at least, by market processes and it was for this reason that the IMF's new role is confined to policing those states unable to meet the general conditions of solvency/liquidity imposed by western commercial banks and international bond markets. Secondly, in one key respect, the strategies of the IMF and World Bank have to be interpreted in terms of interests rather than of ideologies. The so-called refusal to lend into open positions has everything to do with reinforcing the position of western creditors and nothing to do with the rules of a market economy. The implication of this procedure is that access to official credit is only available on the basis of a prior accommodation with private lenders, including those whose claims are not on the state itself but on private sector agents such as the commercial banks of the country concerned. Although many commentators, including those with orthodox market-oriented standpoints, have stressed the adverse effects of this approach both in terms of distribution and in terms of capital market efficiency, the bailing-out of creditors remains the rule of the IMF and is currently facilitating the escape of powerful private interests from the debacles in Brazil and Argentina. The introduction of effective default procedures for states, and the exclusion of private debt from this kind of guarantee are very necessary reforms in the working of international institutions, none the less necessary for being market-conformable.

In general, it is inappropriate to interpret the workings of globalised finance in terms of its impact on developing and transitional economies. This point is not made to diminish the crucial social importance of the struggle for development, which remains the central drama of this century as of the last. It is a simple fact of the current international financial system that it concerns, above all, financial flows among developed economies. For instance, in the huge daily volumes of currency trading which are often adduced as a speculative threat to developing countries, trading in the currencies of these countries is tiny. 90% of all FX transactions involve the dollar on one side; in nearly every case one of a few developed economy currencies is on the other.

Thus financial interactions between small weak economies with primitive financial structures and the huge systems of the west should not be taken as typical or representative of the functioning of global finance in general. Compared to the scale of interactions among industrialised countries, financial flows involving the developing countries are vanishingly small.

2. The European Response

The structures of globalised finance, centred on US markets and the dollar, draw most of their power from their sheer *scale* - from the number of agents involved and the huge amounts of financial resources which can be mobilised. This scale permits and requires the imposition of standards of performance and conduct - the recent impact of US credit rating agencies on the German banking system is again an excellent example. Two consequences follow: firstly, fluctuations and instabilities within this global system are hugely amplified when they strike the smaller and less developed systems which are exposed to it; secondly, the dollar-based system can override many micro-level failures. The relational finance which developed historically in some European countries is probably more efficient than US finance at a micro-level: there is more scope, in particular, to limit information asymmetries between borrowers and lenders. But this does not mean that the smaller, more localised systems have effective defences once they are exposed to the globalised system. The example of Japan is illustrative here: there is no doubt that the boom and bust of stock market and real estate prices which destabilised the Japanese economy in the late eighties was a direct consequence of exposure to external forces; however, the failure, over a decade, of the Japanese banking system to deal with the legacy of this destabilisation testifies to the inadequacy of domestic financial institutions within the new context of interdependence.

The position taken here accepts the main argument made by critics of the contemporary globalisation process - the need for social control. The argument rests on the instability of uncontrolled financial markets, on the inefficiency with which capital resources are allocated and on the adverse distributional consequences of free markets. But the view is also taken that it is not so easy to challenge this process - just because it is not merely the expression of a particular political strategy but also, and even more, the outcome of a deep change in productive structures, of a new phase in the socialisation of production. (The failure to see this is usually linked to the notion that financial processes are not intrinsic to the market economy, that they constitute some kind of superstructure on the base of "industry" or "production"). No argument will be made here against the use of capital controls to defend vulnerable societies and economies against the deep disruption which can follow liberalisation. Nevertheless, this is a defensive weapon (analogous to the strike weapon for employees). It is most appropriate for economies with relatively undeveloped financial systems; it becomes less appropriate as income levels rise and as interconnections with other systems multiply; over the long run it faces erosion; it does not, in itself, challenge the world-wide dominance of the present structures.

In principle, European construction offers an exceptional opportunity to challenge the direction of the contemporary globalisation process and to assert new priorities within it. In practice, European responses are held back by innumerable hesitations and divisions which both weaken the impact of European initiatives and subordinate European construction to all the most damaging aspects of the actual, dollar-centred, system of global finance. The need for scale, for a rapid and effective consolidation of European economic and financial resources is only partly appreciated; and, frequently, the drive for consolidation amounts only to a pusillanimous internalisation of US standards and practices. At the same time, continual attempts are made to preserve the nationally specific structures which indeed seem to offer the best defence against global pressures at the present time but which can hardly provide an effective basis for anything other than a defensive strategy.

Monetary unification must be the core of a coherent European strategy because only the successful development of the euro could permit the development of a bipolar structure of financial relations and thus contest the current unipolar structure within which all economic systems other than that of the US itself are reduced to more or less peripheral status[7]. But the specific modalities of EMU work to frustrate any wider ambitions for a European impact on the nature of the international/global economy as a whole. The Maastricht compromise which led to EMU already foreshadowed this outcome. Monetary union was, from the time of the Werner Plan some thirty years ago, essentially a French project aimed at the "exorbitant privilege" of the dollar (to use De Gaulle's still pertinent expression). German policy, on the other hand, had always been to minimise the external use of the D-mark even when Germany's industrial success tended to attract international wealth-holders to the currency. Maastricht rescued the French project only at the price of its complete subordination to German conceptions of economic policy and to German institutional forms. Mitterrand even boasted that he had outflanked the Bundesbank by making more concessions than even the most obdurate representative of that institution would have dared to demand. Thus the predominant goal of the ECB was internal stability, to be pursued by methods as close to those of the Buba as was possible (after three, rather disappointing, years experience, the ECB has taken some reluctant steps away from those Bundesbank procedures which are most obviously inappropriate to the functioning of a continent-wide economy). Interest rate policy is continuous with the social conservatism of Federal German policies in the past: predicated on the highly intermediated German financial system where continuously high real interest rates underpinned middle-class wealth. No attempt is made to attract external resources into the eurozone banking system - such inflows would probably be regarded today, as in the past, as a danger to internal stability.

Note that there is no particular relationship between the monetary orthodoxy of the Bundesbank/ECB and "neoliberalism." The strategies and priorities involved are quite continuous with German monetary policy stretching back to the sixties - for example, the maintenance of a "monetary pillar" in the ECB's assessment procedures would imply attempts to sterilise any major monetary inflows into the eurozone, just as the Bundesbank used to do. Indeed, some of the technical problems which have arisen with the operating procedures of the ECB are linked to a failure to recognise fully the *market* nature of monetary and banking functions within a continental economy, so that steering procedures which worked adequately within the highly

[7] The decision, at the very last moment, to go for a big monetary union (11, now 12, countries) rather than the little eurozone (Germany and its neighbours) which seemed to be emerging may be evidence that EU leaders were at least partly aware of the centrality of scale to the new international structures. But even if such awareness existed it has had little or no impact to date on the functioning of the single currency which remains resolutely defensive.

structured German banking system were continued in the much more decentralised and competitive environment of the eurozone as a whole.

On the basis of the introduction of the euro, far-ranging attempts are being made to complete the consolidation of EU financial systems, especially through the Financial Services Action Plan which is central to current EU policies. This drive for integrated financial markets, however, is characterised by two key weaknesses - which are superficially in opposite directions, but which in practice combine to limit the radiation and the external influence of EU policies. On the one hand, the FSAP has repeatedly permitted divergent national standards and procedures to persist even when these divergences constitute significant barriers to effective financial integration. Thus one finds frequent complaints from financial actors about the *quality* of legislation: the directives go through, but their enactment fails to bring about the unified markets which are aimed at. For example, it seems that a Europe-wide repo market still hardly exists and the result is that the inter-bank credit mechanism is impaired: in fact, the usual form of collateral employed in trans-national bank lending in the eurozone is the US dollar, so that liquidity conditions in the US impact directly onto the EU banking system. Although directives are passed to unify the treatment of collateral across the zone, they have not as yet led to an effective integration based on the use of European securities rather than dollar deposits.

A similar outcome can be found in related fields, such as the attempt, long delayed by the European Parliament, to pass a European Takeover directive. Standardisation of Takeover rules was seen as necessary to integrate equity markets. There were many grounds for the EP's previous rejections of this measure, but the key issue at the end was the fact that there would be no "level playing field" - it would remain easier to take over a British company than a German one, for example. The latest draft of the directive appears to clear the way for a unified treatment of takeovers, but in practice it is likely to perpetuate the existing situation. The specificities of national corporate governance systems - the most important case is co-determination in Germany - are left untouched by the new draft; and although privileged public sector shareholders are to be excluded from corporate law, it will still be possible to use public law, in France for example, to safeguard enterprises against hostile takeover bids. From the point of view of employees the status quo may have certain advantages in that drastic corporate restructurings are delayed or prevented; but the draft legislation certainly gives no clear entitlements to employees - it tends to safeguard the veto power of existing managements without specifying how, or in whose interests, this power will be used.

On the other hand, the weakness of the actual integration programme is accompanied by a quite uncritical acceptance of US procedures and US financial models which are taken, as a matter of routine, as the goals of the action plan. The most starry-eyed assessments of "the new economy", the "knowledge-based economy" and other euphoric interpretations of the US bubble (Brenner, 2002) pervade official European texts on financial integration. The collapse of the equity boom on both sides of the Atlantic, the flight of investors towards treasuries, the drastic widening of the spreads on corporate bonds, the virtual disappearance of equity-based venture capital, the huge losses sustained by the customers of pension funds and other fund-holders - none of this has led to any significant reappraisal of the direction of the FSAP or of related policies such as the Takeover directive. The few pronouncements made on these events have a self-congratulatory tone: Enron couldn't happen here. This may be true, but if so, it is mainly because the actual pattern of European financial relations is still a long way from the outsider-investor model which prevails in the US, not because the EU offers more effective investor protection - the losses sustained by European investors in the recent debacle are comparable to those suffered by their American counterparts.

The problems with the FSAP, however, go well beyond the issue of investor protection. The transformation of financial structures which is envisaged has major implications for industrial relations and social protection: the first because a move from insider to market-based finance will change the corporate governance, and hence corporate strategies, in ways which may weaken the position of employees; the second because the integration of financial markets is associated with a drive to pour resources onto these markets, often by diverting flows from public social security systems (Grahl, 2001). The effective division of competence within the EU, where social policy autonomy is jealously guarded by member states while the union predominates in economic policy, makes these dangers very difficult to address.

Within critical political economy, the most common response to these developments is simply to reject them. Reject the Americanising integration of European financial systems; preserve the localised, socially embedded, patterns of corporate finance which, after all, functioned with great efficiency in the postwar decades, and which are clearly more compatible with existing social models in west European countries (Dore, 2000). The basis of this approach is the view that contemporary financial markets represent a dysfunctional distortion of economic relations - that they are essentially speculative in character and that they hinder rather than promote economic development. From the same point of view the expansion of international financial markets can seem to be the expression of a political strategy, informed by neoliberal ideology. Closed or fragmented financial systems could be preserved, but the contestable dominance of certain political forces imposes liberalisation. In the background there lies a Keynesian tradition - enterprise must not be sacrificed to speculation. The debates on "corporatism" versus "neoliberalism"; the "Anglo-Saxon" versus the "Rhineland" economy express such an assessment of financial change.

If these judgements were unsustainable, if financial globalisation represented a *productive* development critical to the current phase of economic development, then it would be necessary to formulate the critique of, and alternatives to, the existing financial integration strategy in a much more careful way.

One key indicator of the assessment which is needed lies in the ability of individual member states to validate their historical patterns of financial relations. Everything suggests that they are increasingly unable to do. The weight of highly internationalised corporations and banks within each national economy, the much reduced ability of national governments to influence macroeconomic developments and the multiplication of linkages between domestic and external financial actors all suggest that the historic, socially embedded, relational finance of continental Europe has come up against decisive limits that are set not by a hegemonic political strategy but by basic changes in economic relationships.

Mainstream economic doctrines (with a close but complex relationship to neoliberalism) may, if anything, underestimate the strength of the forces making for financial transformation. From a neo-classical perspective, the essence of financial liberalisation is that it promises a more efficient allocation of investible resources; other markets, however, are still presumed to function well in spite of obstacles to capital mobility. From a point of view which rejects the neo-classical belief in market efficiency, the recycling of financial resources is both a condition of existence of a market economy (Cartelier, 1985) and the main source of pressure for economic adaptation within it. Fragmentation of, or isolation from, the overall financial system then threatens not only to impose additional costs on the suppliers and users of finance: it may both threaten the very survival of economic agents operating in an international context and divert domestic processes of adjustment away from conditions in the external economy.

France perhaps offers the clearest example of the transformation of domestic, "relational" finance under the pressure of external forces. Not only was the postwar system of "encadrement" abandoned at an early stage, but even the modified form of dirigisme represented by core public or parastate holdings in the big privatised enterprises has been largely dissolved. Today there are massive external shareholdings in most of the corporations quoted on the stock exchange. The dismantling was carried out by political forces - socialist or Gaullist - with a deep hostility to neoliberalism. The external promotion of French financial markets and financial corporations has become a continuing priority for governments of all colours.

In the case of Germany, apparently more solid institutions have gradually lost their autonomy: the long economic stagnation exposes the inability of domestic financial processes to reorient productive structures, while corporate practice and the strategies of banks and other financial actors are increasingly driven by external standards and criteria. The vaunted German capacity for coordination among national economic agents[8] is now little more than a memory.

Thus the priorities for European action in the monetary and financial spheres have very little to do with either a rejection or an acceptance of "neoliberalism" in a general sense. The development of a vast, unified, financial mechanism is not a neoliberal strategy, but a productive necessity: attempts to avoid this necessity by perpetuating the particularist systems of "Rhineland capitalism" can only aggravate the loss of policy autonomy of both national and EU structures.

However, the goal of enhanced policy autonomy is meaningless if the acceleration and intensification of the FSAP is not accompanied by attempts to give the new structure of economic relations a different content from those of the contemporary US. Once again, the key issue is not neoliberalism - the general requirements of market finance are transparency and standardisation; these however are quite compatible with, and could even be furthered by, social and industrial relations policies related to European values and priorities.

How do these considerations relate to social policy? The basic division of competence within the EU today can be summarised by saying that economic policies are a matter for the Union, social policies for the member states. The ambiguous status of employment policy makes it the exception proving this rule; it is in the field of employment that spillovers from economic to social relations are most pervasive; some standardisation of employment rules is necessitated by competition in other spheres. In general, however, EU employment regulation is minimalist; wherever possible, directives have been permissive, leaving wide scope for variations in national practice[9].

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[8] This is the argument of David Soskice; see, for example Hall and Soskice, 2001.

[9] The assertion in the text refers the EU employment *legislation*. The more ceremonial aspects of Union employment policy (the employment guidelines, "soft coordination" and so on) are probably best seen as a response to the legitimation problems arising from the basic division of competence (Schäfer, 2002).

Now it follows from the argument so far that this distribution of responsibility is full of dangers. In the long run, it is a formula for an ever deeper separation between the economic and the social. Defensive considerations frequently dictate that national priorities in social security and employment regulation are strenuously asserted against the general direction of European construction. Nevertheless, it is difficult to find examples of national initiatives which go beyond this, because the emergence of new economic constraints at the international level in fact places every version of the European social model permanently on the defensive.

Generic critiques of neoliberalism may obscure the causes of this situation. No doubt there are occasions on which external constraints are invoked as a spurious justification for policies which are in fact pursued for quite other reasons. But the jealousy with which national governments preserve discretion over domestic social policy seems mostly to stem from the logic of their objective economic and political situation. External economic pressures, both on macroeconomic policy formulation and on enterprises, multiply the emergencies and instabilities arising within each state; the political tensions which result are extremely specific to each country; since the use of economic policy instruments to avoid or counteract such pressures is increasingly problematic, governments, whatever their ideological orientation, seek to keep as much room for manoeuvre as possible in defining priorities in the social policy field. Pensions, for example, may be a flashpoint in one country; regional imbalances, youth unemployment or health care services in another. Thus governments resist supranational rules and standards for the provision of social services and social protection, which would rob them of the key remaining instruments for the management of domestic political events.

The essence of the resulting problem is not to contest the universal triumph of neoliberal strategies, but to reconnect political and economic processes. Local and national revolts which fail to do so - which simply emphasise claims to sovereignty over such fields as remain within the scope of domestic politics (the Danish referendum, for example) - are fundamentally limited if they cannot expand the real scope of democratic decision-making to embrace the economic processes and outcomes which are moving beyond national boundaries. On the other hand, the notion that financial mechanisms could be subordinated once again to national political priorities rests on the view of market finance, as a field of dysfunctional speculation or a dispensable superstructure on the basis of industry and production, which was criticised above.

3. Conclusion

The main purpose of these notes is not to formulate alternative integration policies but merely to suggest that the overuse of the notion of neoliberalism is becoming a barrier to clear thinking on policy questions. Of course it is widely recognised that appeals to market ideologies can often be a way of disguising interests, particularly those of dominant groups. The suggestion here is different - that critical political economy often sees market ideologies behind developments which are in fact attributable to *market forces* [10].

This argument has been sketched out in two spheres. In the first instance, it is claimed that the process of financial globalisation is essentially a reflection of deep economic developments and not primarily a consequence of political strategies. The outcome of financial globalisation has certainly been to reinforce the economic dominance of the US; but the basic force behind this dominance is the desire of wealth-holders around the world to hold dollar-denominated assets, rather than the success of a particular geo-political strategy: the fact that the dollar is central to contemporary financial processes results from the scale and sophistication of US financial markets in a context where productive changes are driving forward all forms of economic interdependence [11]. Of course, ideologies have been crucial in certain phases of the genesis of the global financial system, but to say this should not obscure that the system has a dynamic and a resilience which are both quite independent of neoliberal doctrines. Similarly, the fact that certain institutions (notably the IMF) have clearly been guided by neoliberal thought should not obscure the key roles played in the genesis of global finance by policy-makers and other actors with different orientations and theories[12].

At the same time, an exaggerated assessment of neoliberal influence leads to a simplification of the role of the state within the globalisation process. Neoliberalism as a doctrine certainly proposes a reduction in state activities and interventions; but such a reduction is not an obser-

[10] To distinguish this position from market apologetics it should be repeated that no claims are being made about the efficiency, stability or social desirability of the market processes in question.

[11] Gowan (1999) sees the hegemony of the "Wall Street-dollar system" as, in essence, the outcome of a political strategy. The reverse is more true - the basis of US political hegemony today is the primacy of the dollar. For example, in those years when its economic/financial dominance was most in question (late seventies) US leaderships were more willing to share political decision-making (Trilateralism).

[12] One should also recognise the important differentiations among neoliberal doctrines and the fact that several variants of neoliberalism have themselves become victims of the globalisation process. Four examples: the Hayekian fusion of market liberalism and social conservatism is subverted by the colossal exposure of traditional societies to external forces within a global system; Friedman's quantitative monetarism is rendered absurd by the explosion of financial transactions which now dwarf the use of money to circulate mere goods and services; Jensen's celebration of shareholder control over the enterprise ends with a plea to CEOs to "just say no to Wall Street"; Nozick's naturalist interpretation of property seems increasingly obsolete in a world where key forms of property are pure creations of the legislator - patents, copyrights, brand-names and trademarks.

vable aspect of contemporary economic developments. We see rather a reorientation of the state as it is caught within the circuits of global finance. The constraints on certain types of Keynesian intervention which follow from this are not imaginary.

Secondly, in the light of this first argument, it has been suggested that current economic policies within Europe, notably monetary union and the drive for financial market integration, are not usefully interpreted as expressions of a neoliberal hegemony. The historic financial systems of continental countries are largely indefensible, given the scale and the force of the dollar-based system which confronts them. In these circumstances, monetary and financial integration, together with many of the market-oriented transformations which they involve, are necessary conditions for any coherent economic policy within the EU. Finally, the acute social problems which these transformations make inevitable are by no means the expression of a homogeneous neoliberal strategy. They can be related to the problems facing national political forces of all orientations in a world where key aspects of economic development have moved beyond national control.

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Hans-Jürgen Bieling

The New European Economy: Transnational Power Structures and Modes of Regulation

> ‚No-one is forcing the European Union to become more competitive than the United States in nine years time. But if that is what we really want, we must leave the comfortable surroundings of the Rhineland and move closer to the tougher conditions and colder climate of the Anglo-Saxon form of capitalism, where the rewards are greater but the risks also.' (Frits Bolkenstein 2001: 2)

Introduction

In Spring 2000 the heads of the European governments solemnly declared: 'The Union has today set itself a new strategic goal for the next decade: to become the most competitive and dynamic knowledge-based economy in the world, capable of sustainable economic growth with more and better jobs and greater social cohesion.' (European Council 2000). The set of measures which is supposed to support this goal has been called the 'Lisbon strategy'. It can be seen as the expression of the ambition to benefit from the new mode of European integration which has changed in quality from the mid 80s onwards. The new mode of European integration is based above all on a series of core economic projects, i.e. the Single European Market (SEM), Economic and Monetary Union (EMU), and financial market integration. All theses projects have fostered and facilitated the emergence of a new transnationalised finance-led regime of accumulation within the EU (cf. Bieling 2003).

However, so far the operation of this regime of accumulation is far from being completed. In view of recession and potential conflicts, both politicians and theorists – last but not least regulation theorists like Michel Aglietta (2000) – are preoccupied with the regulative, technical, and administrative necessities to make it more viable. In this context, the regulationist view runs the risk to boil down to a simple 'problem-solving-approach' concerned less with the articulation of the contradictions and conflicts caused by the new regime than with regulative measures to level and overcome them. The aim of this paper is to counter such tendencies by a shift in the general focus of analysis. Instead of looking for the new, more adequate ways to stabilise finance-led accumulation, it will highlight the underlying power structures of the new regime, its impact on economic distribution, and the inherent conflicts as well as the possible ways to win the support of workers and trade unions or at least to compromise with them. In view of the complex and controversial nature of European integration, this is, however, a rather difficult undertaking. Therefore, the present paper represents only a tentative approach to this issue.

The paper is structured in four sections. The first section deals briefly with the question of power in the European and the international political economy. It emphasises the dimensions of given power relations on a transnational level as well as within the society, in reply to the prevailing state-centrism. The second section discusses briefly some central features of the new European economy. It attempts to outline two main issues. The first of these is that the new European economy is at least partially based on a new finance-led regime of accumulation. The second issue is that the capability to influence the regulation and operation of financial markets is instructive to understand the given power relations. The implications of this will be illustrated in the third section. It will be argued that although the new European economy seems to be already part of the global 'Dollar-Wall-Street-Regime' (Gowan 1999), its incorporation is neither complete nor without contradictions. This is due to the fact that European regulation of financial markets is not only connected to global institutions and developments, but also subjected to a range of other domestic and European interests and their political articulation. In other words, even if dominated by transnational finance the new European economy includes also the other components of the circuit of capital accumulation. Hence, the final section will discuss whether these components, i.e. collective bargaining and monetary and financial policies, do already fit into the new European economy or whether they tend to hinder its smooth operation.

1. Social forces and the 'power to define'

Not only power itself is an ubiquitous phenomenon, concepts of power are numerous as well. Within the disciplines of International Relations or International Political Economy, there are as many concepts of power as directions of theoretical thinking. This does not imply, however, that most reflections on power are an expression of elaborated theoretical conceptions. On the contrary, they frequently rest on rather unreliable theoretical ground. Therefore, concepts of power are often only fragmentary, ill-founded or based on rash deductions from superficial developments. In other words, they are not part of a broader concept or analytical approach which aims to understand the transformation of global capitalism as a power-based and socially contested process.

Only a few theories have such a cognitive interest and only two of these are particularly relevant for this paper: First, there is the 'regulation school' approach which focuses above all on the articulation between a particular 'regime of accumulation' and the accompanying 'mode of regulation'. Basically, this articulation is seen as subjected to diverse influences. The most important issues are the conflicts between social forces and their mediation on the one hand, as well as the repercussions of the global environment, i.e. the world order and the world market, on the other hand. Without doubt, the regulationarist approach provides a number of insights. Based on a non-reductionist understanding of different dimensions of society, it offers a proper solution to the structure-agency problem and a non-deterministic, i.e. 'open', crisis-ridden and contested view of societal development (cf. Lipietz 1987). Despite all these advantages, it is also characterised by a fundamental weakness. Its focus is primarily on the nation modes of development, while the economic, social and institutional configuration of the world economy and world order is taken for granted. Since it tends to neglect transnational, supranational and transgouvernmental relations and processes of mediation, the regulationarist approach is biased towards a dichotomous view of the relationship between the nation-state on the one hand, and the world market on the other (cf. Bieling/Deppe 1996). This weakness, however, can be overcome by a second theoretical approach: Neo-Gramscian International Political Economy (IPE). Neo-Gramscian IPE is complementary to the regulationarist approach to the extent that it focuses on a non-teleological phasing of capitalist development and particular structures of governance and class struggle. In this context it focuses not only on the national dimensions of capitalist development. Simultaneously, it directs the attention to the forms of its embeddedness into the global economy and world order which themselves are subject to political struggles between transnational social forces and state agencies.

While the main merit of the neo-Gramscian extension of the regulationarist approach is the overcoming of the dichotomy 'nation-state - world market', it is not confined to this aspect. Another advantage of neo-Gramscian theory is without doubt to emphasise the domestic and transnational power relations which accompany and underpin a particular mode of capitalist development. As the term 'power relation' already indicates, power is not simply a medium or possession. Instead, power should be conceived above all as a feature of social relations. This implies that individuals, groups or classes can wield power only vis-à-vis other individuals, groups or classes. Hence it is above all the concrete configuration of social relations which determines the content and character of the diverse forms of power.

In this sense, power relations contain always two analytically distinguishable dimensions: more general and endurable social structures (structural power) as well as particular forms of action by which the structures are reproduced or transformed (relational power). The impact of this very general statement is threefold: First, depending on the analytical perspective, the structural dimensions of power can be located in different contexts. They might be assigned to different autonomous spheres of social reproduction, such as security, finance, production, and knowledge (cf. Strange 1994) or they might be seen as part of an overall transnational social hierarchy, which means that despite all particularities the different power structures are linked and 'over-determined', i.e. framed by the 'social relations of production' (cf. Cox 1987). Second, whatever perspective might be chosen, power structures always differ in scope. Some are rather local and domestic, whereas others reach out to European or global levels. Depending on the area concerned, the relationship and interaction between various levels is not always clear. On the contrary, often it is rather difficult to ascertain, which level is dominant or determinant. A third aspect which needs emphasised is that none of the given power relations can be analysed by looking only at the structural dimension. For there are never just structures without action. If this is the case, structures would become meaningless. In fact, structural power always involve some form of relational power by which it is reproduced or transformed.

The apparatuses and agencies of the nation-state still represent core elements of domestic and global power structures. Yet some of their capacities have become weakened in the course of continuing or even accelerated economic internationalisation, transnationalisation and globalisation. Within western Europe to a large degree these processes have been shaped by the European Union. As an additional level of governance, the EU mediates between the constriction of domestic markets and the limited scope of governmental action, on the one hand, and the global expansion of the world market, on the other hand. During the post-war decades, European mediation served above all to facilitate government action in order to shelter and stabilise the particular national models of development (cf. Statz 1989). In the course of the 80s and 90s, however, it then changed its purpose and character. European mediation became not only more important due to treaty reforms, supranational institution building and additional European competencies. It was also subjected to a fairly different content. The core economic projects – the Single European Market (SEM) and Economic and Monetary Union (EMU) – show very clearly that the new European regionalism was increasingly determined by a neo-liberal agenda. Hence, from the mid 80s onwards European integration functions less and less as a mediator for fairly encompassing government regulation, but rather as an additional lever to promote domestic neo-liberal reforms.

According to Stephen Gill (1998: 5), this shift in operation and orientation of international/supranational agreements and governance structures can be seen as an expression of a 'new constitutionalism' which 'seeks to separate economic policies from broad political accountability in order to make governments more responsive to the discipline of market forces and correspondingly less responsive to popular-democratic forces and processes'. This process of constitutionalisation is, however, neither simply the outcome of unavoidable systemic changes nor does it come about without public disputes and conflicts. On the contrary, the supranational institutional and regulatory frameworks are exposed to many – sometimes contradictory – influences and interests. In this context, the representatives of national governments play a significant role. It remains their privilege to bargain, to decide on and to comply with supranational constitutional agreements. Nevertheless, they are not the only forces in global and European politics. Other social forces such as the organised interests of big business, trade unions and various NGOs matter as well. Yet the relevance of their interests is difficult to evaluate. Generally, their direct influence on the process of bargaining and formal decision-making (i.e. 'decision making power') seems to be rather weak. On the other hand, their discursive impact on the basic purpose and content of supranational institutional and regulatory arrangements (i.e. the 'power to define') can be rather serious (cf. Bieling 2002).

The implications of this for the influence and power of social forces, large businesses and trade unions, can be illustrated by a four-pronged heuristic model of discursive policy-framing (cf. O'Brian 2000: 38). The first the option that the social forces have within this model is to operate on the national level. This implies that they can try to influence the domestic and/or inter- and transgouvernmental strategies of *national governments and state agencies* by promoting particular public discourses or campaigns in favour or against official state policies. A second option is to deal directly with *international organisations* such as the EU. In this case, next to national associations, European associations need to be taken into consideration. According to their character, some of these associations concentrate on the more technical and administrative aspects of European regulation. By the same token, however, their arguments are often, implicitly ore explicitly, placed within broader ideological discourses about the very fundamental nature of the arrangements under consideration. The third option is to address neither national nor supranational state agencies but to engage directly with *other social forces*. In the meantime, within the European Union there are quite a few possibilities for market actors, associations and NGOs to co-operate or to come into conflict on a transnational basis. Finally, the fourth option is to connect the different levels by elaborating a broader strategy of co-operative transformation guided by a particular *hegemonic conception*. This does not mean that the other options can work detached from any conceptual work. The latter is always part of the power politics of social forces. The separate enumeration should only emphasise the difference between the self-perception of the social forces as dependent and subordinate to supranational and national governance structures, on the one hand, and as autonomous entities that seek contact primarily with similar social forces, on the other.

It would be naive to assume that in terms of political decision-making the political leverage of all social forces is the same. Even more critical neo-pluralist scholars (cf. Lindbloom 1977) have highlighted the uneven power relations, particularly between organised business and labour. This does not mean that the privileged position of business is simply credited to unequal political resources, capabilities and lobbying skills. On the contrary, in view of the requirements of capitalist accumulation and of the probable implications for political legitimacy government officials are self-interested in encouraging business development. In Lindbloom's (1977: 175) words: The government official 'does not have to be bribed, duped, or pressured to do so. Nor does he have to be an uncritical admirer of businessmen to do so. He simply understands, as is plain to see, that public affairs in market-oriented systems are in the hands of two groups of leaders, government and business, who must collaborate and that, to make the system work government leadership must often defer to business leadership.' However, the prerequisite of such a relationship between government and business is that the market or capitalist system itself should be generally approved of and that business representatives should not appear as representatives of a limited, but of a general interest (cf. Jessop 1990). This condition is not fulfilled automatically. To establish, secure and make such a world view operational a lot of public and political engagement is required. And this engagement is not confined to individual companies, but often mediated by common associations and particular policy networks.

2. The emergence of a finance-led new European economy

Transnational business engagement also applies to the making of the new European economy and the process of financial market integration. Since the mid 80s European business – individual or associations – has become increasingly involved in manufacturing a European consensus to improve competitiveness on a transnational scale. This happened partly through very concrete regulatory comments and suggestions, i.e. by direct business involvement in the exertion of public authority. More important is, however, that the content of technocratic regulatory change was inspired by the more general vision to stimulate European economy by means of liberalisation, deregulation and flexibilisation. It would be too simplistic to give all the merit for this shift in the general orientation of European economic and social policies to business representatives. The analytical perspective developed here, only maintains that together with scientists, journalists, politicians etc. these have been successful to provide a particular interpretation of the crisis of national and global Fordism, manifest in the persistent 'Eurosclerosis', for instance. This entails an advanced, market-based and competition oriented integration of the European economy.

This development can be regarded as evidence of the formation of a new transnational bloc of social forces under the guidance of global productive and money capital. Nevertheless, this bloc is not free of internal conflicts and contradictions. Yet these are not difficult to cope with as long as the political agenda contains commonly accepted terms regarding the benefits of market integration, more competition, lower costs, and an investment climate which is favourable for business. In this context, financial market integration has been of utmost importance since the mid 1980s. Nevertheless, at first it was not a political project in its own right. It seems to be more appropriate to see financial market integration as the condensed outcome of a series of different initiatives.

First, although financial market integration accounts for a great deal of economic gains calculated in Cecchini (1988) report, it did not attract public interest. In scientific circles, financial market issues have been of interest only for economists and a few political scientists at best. Moreover, even the financial services industry itself was hesitant: 'The financial players across Europe, apart from central bankers, became aware surprisingly late in the day how the internal market was likely to affect them. With a handful of exceptions, banks, insurance companies and stock exchanges took little part in the agitation for the single market and in most member states: the time lag between the Act in 1986 and active awareness could be measured in years rather than months.' (Middlemas 1995: 473) Seen in this way, at least at first European financial market integration was not so much driven by transnational social forces, but initiated by a European Commission which – against the background of global financial services liberalisation and regulation – gained its main support from national governments and central banks (cf. Helleiner 1994; Kapstein 1994).

The same applies to the following initiatives, however, with the difference that the European financial services industry and globally oriented TNCs – i.e. individual companies as well as European and national associations – became more actively involved. The impact of the formation of transnational business networks was above all twofold. Due to their expert knowledge they became either directly relevant for concrete regulative liberalisation policies and the establishment of a level playing field, or they managed to organise specific – co-ordinating or communicative – discourses to frame the content of economic initiatives at stake. The following cases of network discursive framing have been most important: first, the political campaigns of AMUE (Association for Monetary Union of Europe) in the run up to EMU; second, the engagement of EASD (European Association of Securities Dealers) as well as the support of the ERT (European Round Table of Industrialists) and EVCA (European Venture Capital Association) for EASDAQ, a pan-European market for risk capital, which eventually triggered the establishment of the different national 'new markets'; third, the pressure of individual financial firms – investment banks, institutional investors and brokers – and the CAG (Competitiveness Advisory Group) to launch the Financial Services Action Plan (FSAP) and to up-date security market regulation; fourth, the broad support of the financial services industry for the suggestions of the Lamfalussy expert group for accelerated regulation via two new advisory and regulatory committees (ESC and CESR); and finally, the formation of a European Round Table of Financial Services (ERF) – modelled after the ERT – to secured the continuation of the process of accelerated financial market integration.

The influence or the 'power to define' of various associations and networks results from two factors: first, from the ability to make their voices heard by EU Institutions – i.e. European Commission, Council and the EU Parliament – by providing useful technical and administrative information, but also information about the general political view of the industries concerned; and second, from the ability to form broader political alliances inclusive of non-financial associations (UNICE, ERT, EU Committee), scientists, think tanks (CEPS) and journalists (Financial Times, Economist, Wall Street Journal) that share more or less similar views.

These discourses initiated and stimulated by transnational European networks in favour of a liberal integrated financial market refer to several objectives. In general, it is emphasised that financial market integration is self-evidently related to SEM and EMU. It represents an inevitable next step by which the precedent projects will be completed and strengthened. On the one hand, it is repeatedly stressed that, without an integrated and dynamic financial market, the EU 'will forgo the potential reduction in the cost of EU capital offered by the single currency' (European Commission 1998: 2), with detrimental effects on competitiveness and employment. On the other hand, it is also mentioned that only an integrated financial market will direct sufficient capital and investment to the EU economy and strengthen the Euro. 'Whoever wants the Euro to stand proud must (...) support structural reforms and in particular the European Commission's Financial Services Action Plan.' (Bolkenstein 2001). Obviously, both aspects – additional investment and employment as well as the strengthening of the euro – are related to the broader discourse on improved European competitiveness. This has been made clear at the Lisbon summit, where European governments with the support of transnational business underlined the necessity of deepened financial market integration. In the meantime, almost all associations of the financial and non-financial sector and many discussion forums emphasise the 'strong link between changes in capital markets and competitiveness' (CAG 1998: 1). The ERT also states that 'an integrated pan-European capital market would drive down the cost of capital, increase financing options, lower the cost of doing business (dramatically in the case of securities), increase the yields on investment and pension funds for all citizens, and release more venture capital.' (ERT 2002: 7) As part of the competitiveness discourse, accelerated finance-led restructuring appears as a 'win-win' strategy, which Europe cannot afford to refuse. Financial integration is not only represented as an essential requirement to mobilise resources for technological innovation, but also as a leverage to boost investment, to create more jobs, and to deploy the opportunities of capital markets to cope with the demographic 'time bomb'. As a Commission official puts it: 'integrating financial markets is a very good social policy: higher pensions for everybody, more employment, better opportunities for young people and so forth.' (Interview, May 2001)

Yet this positive view of financial market integration and finance-led restructuring was not only the outcome of changed public discourses and political campaigns. It emerged also against the background of structural transformations in the global capitalist economy and the new significance of financial markets, above all of security markets. A few developments in this direction are summarised in the following (cf. ECB 2001; Huffschmid 2002):

Even in the US and Great Britain, the operation of financial firms is no longer determined by the separate banking system – the separation of credit and investment banking – but by increased inter-penetration of different market segments.

At the same time, at the latest in the second half of the nineties, security markets became more significant. In continental Europe market capitalisation of companies almost quadrupled due to privatisation programmes, mergers and acquisition strategies and the mania for speculation gains of many investors.

The growing role of security markets is also underlined by the fact that there has been a boom in share trading. Shares change hands after a few weeks or months now instead of years as before.

Obviously, non-financial firms, particularly TNCs, direct their attention more and more to security markets. This shift in orientation can be seen as the counterpart of the improved role of shareholders and institutional investors, which, in turn, becomes manifest in mergers and acquisitions as well as in improved opportunities to raise capital by issuing bonds or equities.

Finally, security exchanges have undergone a fundamental transformation during the nineties. Originally, they represented protected and cosy club-like organisations operating on a mutual basis. Nowadays most of them are profit-motivated corporations competing for market shares.

All these different dimensions can be seen as indicators for the transition towards a finance-led mode of capitalist restructuring. The impact of the new financialised economy naturally depends on the concrete terms of financial market regulation. So far, most regulation is biased towards neo-liberal objectives such as investor protection, prudent person regulation or the subordination of public economic and social interests to cross-border competition of financial firms. Consequently, it can be expected that financial market integration may have a far-reaching impact on the whole mode of capitalist reproduction. First, by upgrading and privileging shareholder interests it will stimulate a transformation of corporate governance. Managerial strategies will become more short-term oriented relying primarily on more flexible, often deteriorating working conditions (cf. Bieling/Steinhilber 2002). Second, as privatisation of pensions is a core element in the financialisation process, national retirement systems will be further weakened, intergenerational solidarity will be undermined, and pensioners will become dependent on the market trend of financial assets (cf. Beckmann 2002). Third, national governments see themselves disciplined in view of highly mobile financial capital and tend to lower corporate taxes, curtail public spending and investment, and forgo anti-cyclical intervention in the economy (cf. Gill 1995). Finally, monetary authorities will be tempted to direct their attention not only to inflation and economic growth, but also to financial market trends (cf. Grahl 2001).

3. Balancing the new European economy: social forces and the organisation of hegemony

So far the finance-led regime of accumulation is still based on shaky ground. This is partly due to economic recession, falling stock market prices and fraudulent financial reporting and auditing practices. From a regulationist point of view this means that in order to make the new regime viable additional regulation, better supervision and a different macro-economic approach is required (cf. Aglietta 2000; Boyer 2000). The neo-Gramscian perspective, however, stresses that these aspects are only half of the story. To understand the operation of finance-led restructuring, it suggests to look at both the global dimensions of European financial market integration and the longer-term consequences for politics and society: i.e. the disciplinary impact of financial market criteria, generally increased economic and social insecurity, and accentuated social inequality. In other words, the content and character of European financial market integration is determined by the co-operation of transatlantic political and social forces, on the one hand, and the particular bargaining structures within European societies, on the other hand.

3.1. The transatlantic context: European integration and the 'Dollar Wall Street Regime'

The transatlantic dimension of financial market integration raises the question whether or to what degree the European economy is already part of the global 'Dollar Wall Street Regime' (DWSR). This term has been coined by Peter Gowan (1999). It refers to the emerging global monetary and financial structures after the break down of the Bretton Woods system of fixed exchange rates and politically controlled capital markets. Compared to this old regime which provided national governments with a certain degree of economic, financial and monetary autonomy, the new DWSR is less generous. Its main features are open capital markets, floating exchange rates, and the world-wide supremacy of the US dollar. The most influential forces determining the rules of this regime are the US treasury department, the Federal Reserve and the private financial firms located in Wall Street. The relation between both is characterised by personal exchange, close working relations and similar aims. Besides, the centre of the DWSR, the 'Wall Street-Treasury Complex' (Bhagwati 1998: 10-11), is closely linked-up with international organisations such as IMF, World Bank, WTO, BIS and the Basle Committee, IOSCO etc. It is therefore not only in favour of a world of free capital mobility. It is also the most important proponent of the 'Washington Consensus', i.e. the view that free trade, open financial markets, currency convertibility, domestic structural adjustment and neo-liberal reforms provide the only successful way for economic development.

In some respects, the DWSR contains institutional and legal dimensions. Its functioning is facilitated by a range of mutually approved regulations. More important, however, is the material basis of the regime which determines other governments to follow its rules. This is mainly due to the predominant economic power of financial and non-financial US corporations and the fairly undisputed role of the US dollar as the world leading currency, which places the Wall Street and the treasury at the centre of financial networks. Most international credit is denominated in dollars, US banks are the most important international creditors, and, as the Basle Accord reveals, the standards of international regulation and supervision are strongly determined by the US authorities. Moreover, the dominant role of the dollar and the control over the IMF and World Bank minimises the risk for US-based financial operators while enabling the US government to pursue its 'American first' approach and exploit all seignorage of the global key currency (cf. Gowan 1999: 25-30).

Generally, other economies are incorporated into the DWSR in two ways. One way is that of *disciplinary subordination*, i.e. of total exposure to the global financial operators and thereby to the vagaries of global financial markets. This path is taken by economies unable to follow a self-determined path of development. Relying on foreign capital and investment, they often accumulate huge foreign debts. As a consequence, they have then almost no chance to resist various pressures – by private creditors, the US government and the IMF and World Bank – to remove national barriers to the free flow of funds, to give full rights of operation to foreign financial investors, and to redesign national financial systems according to external requirements. The other form of incorporation is that of achieving the position of a *privileged junior partner*. This seems to apply to the European Union. Since the EU has some bargaining power in international forums and organisations such as the G7, the Basle Committee, IOSCO, and the WTO, it is not simply a 'regime taker', but to a certain degree also a 'regime shaper'. In principle, the European approach to the regulation of global capital markets is broadly in line with US objectives. This is mainly due to the influence of US business inside the EU (e.g. via the EU Committee), the close links of American financial firms to the City of London, and intensified transatlantic business co-operation based on a huge flow of foreign direct investment. Hence next to the co-operation in the area of financial market regulation by supervisory authorities, there are also more recent examples of institutionalised business co-operation such as the Transatlantic Business Dialogue (TABD) or the establishment of the

Financial Leaders Group which strongly supported the Financial Services Agreement (FSA) negotiated in the follow up of the GATS talks (cf. Dobson/Jacquet 1998). All this can be taken as evidence that in the course of the 90s European financial and non-financial firms have developed an increasingly global orientation. Moreover, they are the main advocates of an 'open regionalism' in the EU, i.e. of a mode of regional institution building and regulation generally in line with global liberalisation of trade, finance and investment.

Eventually, however, it would be too simple and one-sided to highlight only the similarities and forms of co-operation between the US and the EU. There are quite a few very significant differences and controversial issues, which are by far not meaningless. First, the *European bargaining approach* seems to be less unilateral and more co-operative than the US one. In the case of the FSA, the endeavours of the EU have been much more directed towards reaching an agreement on binding common rules and regulations, and it was rather willing to reduce its original claims (cf. Garten 1995: 56-7). Except for this difference in strategic action, the EU also pursues a *different objective*. EMU, financial market integration and the Lisbon strategy can be seen as an attempt to counter-balance the dominance of the US economy. The claim of the EU to compete on an equal footing suggests that the role of a junior partner is not entirely accepted anymore. Considering this, EMU is not only the completion of the SEM, but also a challenge to the DWSR. This means that the EU aims at both sharing global currency seignorage and getting a stronger voice in the regulation and supervision of global financial markets. The third difference refers not to the form and distribution, but to the *content* of global regulation. Although European finance has become strongly globalised, there are still other forces – in the public and manufacturing sectors – which are much more sensitive and adhere to given forms of societal co-operation and compromise, e.g. with employees and trade unions.

3.2. Disciplining and incorporating labour

The latter point indicates that the hegemonic bloc of social forces in favour of the new European economy needs to balance it on two fronts: externally, within and against the DWSR, and internally, by incorporating trade unions and labour. It is unquestionable that trade unions have been seriously weakened in the course of the 80s. They have been faced with high unemployment, structural change, labour market deregulation, social cutbacks, declining membership and intensified economic competition as a result of accelerated European integration. Nevertheless, in almost all member states trade unions still represent an important social force whose willingness to co-operate governments and companies obviously cannot afford to lose. Hence the relationship between the advocates of European market integration – European Commission and national governments – and trade unions is rather ambivalent:

On the one hand, the Commission and national governments have been very receptive to pressures of transnational business to go ahead with economic and monetary integration. In this sense, the single market programme and EMU have been building blocs of a new European constitutionalism which implements the twofold logic of 'competitive deregulation' and 'decreed austerity'. As a consequence, the disciplinary elements of capitalist restructuring have become stronger, particularly in terms of employment and working conditions (cf. Bieling 2001). Moreover, the new constitutionalism changes fundamentally the terms of compromising since in view of the new economic and political constraints national governments are 'no longer able to accommodate class conflict through credit expansion or currency devaluation.' (Bonefeld 2002: 132).

On the other hand, the Commission and most governments have been quite aware that trade union support remains a crucial precondition for their legitimacy. Thus even if at the national level the old forms of compromising and bargaining – higher wages in exchange for political self-restriction – have become ineffectual, political authorities have been engaged to develop a new multi-level model of trade union involvement. In this context, however, the content of involvement, bargaining and political exchange has changed substantially (cf. Bieling/Schulten 2003). First, at the firm level, employees and their union representatives often feel impelled to agree to a strategy of 'competitive investment bargaining' (Mueller 1996). This means that in order to attract investment and secure employment they accept wage cuts and more flexible employment conditions. Second, at the national or sector level, political exchange within the new forms of 'competitive corporatism' (Rhodes 1998) is similar but more complex. It is based on trade union concessions in terms of wage moderation, more flexible forms of employment, and the reform of social security systems, whereas political authorities announce tax cuts, active labour market policies and perhaps lower interest rates in order to stimulate investment and employment. Finally, at the European level, some elements of Euro-corporatist involvement have also emerged (cf. Falkner 1998). Most important is the European 'social dialogue' whose up-grading enabled social partners to negotiate binding framework agreements enacted by political authorities. Without doubt, supranational social regulation was certainly extended in the late 80s and early 90s. Eventually, however, European corporatism remains largely symbolic since it covers only a few areas, and it is not backed by strong political mobilisation and collective action (cf. Martin/Ross 1999).

The question which ensues from these facts is that of the role of trade unions in the new European economy. Apart from the structural changes outlined above, the European socio-economic governance structure has suffered only minor changes for the benefit of trade unions. To compensate for the disciplinary impact of the Euro and the dangers of generalised austerity, they have been able – with the support of Social Democratic Parties – to push through a European employment strategy and to partake in a non-binding macro-economic dialogue. It is, however, unlikely or at least unclear how this should evolve to a leverage for a changed macro-economic approach. This is all the more relevant as in the field of financial market integration, European trade unions failed to press for strong elements of social and democratic control. The mode of regulation, intervention and supervision of financial markets is left to the Commission, national governments, national regulators and supervisors and the financial service industry itself. Trade unions raise their voice only if issues of immediate concern for employees are on the agenda. Hence their engagement has been confined to few aspects (ETUC interview, February 2002): first, to European regulation of employee involvement as part of the European Company Statute; second, to lobbying the EU Parliament in order to prevent the adoption of the take over directive which contains no commitment of the board to contact works councils in case of a takeover bid; third, to a kind of accounting and auditing regulation which makes company practices comprehensible for works councils; and finally, to look for most favourable ways of financial participation of employees via Employee Share-Ownership Plans (ESOPs) or via collectively bargained, perhaps even collectively managed pension schemes (cf. O'Kelly 2002).

Naturally, all this is far from sufficient to endow trade unions with significant power. Their adherence organisational involvement in the new European economy is not based on autonomous bargaining strength, but rather on their political weakness under conditions of accelerated capital mobility and intensified cross-border competition. As Colin Crouch (2002: 303) has recently concluded, trade unions 'have the strongest *relative* preference for neo-corporatism in the choice between it an either deflation or deregulation. Therefore they are likely to seek this goal wherever the basic institutional design makes it feasible, though this should not be interpreted as some kind of new union "power". Their power is only that, as the ones who most need a particular outcome, they will be the ones most willing to make sacrifices to achieve it. And the outcome they seek is mainly negative: avoidance of high unemployment, the right to bargain, and measures of employment security. This logic of the situation and power balance in the new economy explain why the objectives of recent and prospective future revivals of neo-corporatism are not only very limited – for example, they exclude any attempts at income redistribution – but will usually embody an attempt at reaching neo-liberal goals through the means of corporatist consensus.'

4. Prospects

So far in this paper it has been argued that the new European economy and the emerging regime of finance-led capitalist accumulation is far from being completed. In several regards its mode of reproduction and regulation is still controversial. The bloc of social forces organising the new European economy has to balance it on two fronts. The first front has a strong international or global, at least transatlantic dimension, which is structurally determined by the DWSR and the global governance institutions related to it as for example the Basle Committee, IOSCO and the WTO. In this regard, we can interpret the EU strategy via EMU and financial market integration as an attempt to change the power balance within the DWSR, without changing its socio-economic content. The second front is primarily domestic, as support for EMU and financial market integration remains dependent on the involvement of trade unions. In this case, we have seen that the ways of reaching a compromise – above all the willingness of the trade unions to engage in new social pacts and competitive corporatism – seem to function fairly well. Consequently, there is much evidence that, despite its incompleteness, the twofold balancing of the new European economy will result in an adequate mode of transnational governance and regulation. At least at the moment there are no signs that the power structures and governance mechanisms supportive of the new European economy might become weaker or change.

In a medium or long-term perspective, nonetheless, it may be expected that the tensions inherent to this configuration will come to the fore. This will be mainly due to three developments. First, transnational financial and non-financial companies are pressing for the deregulation, privatisation and financialisation of the European public infrastructure and social security regulation. This applies to all areas, above all to public transport, air traffic, energy supply, telecommunication as well as the health service and retirement arrangements. Second, the European institutions and agreements , i.e. the EU treaty, various action programmes and the deregulation approach of the Directorate General 'Competition' of the European Commission, look for solutions to the pressure exercised by transnational business. Finally, all European welfare and social security systems are faced with serious challenges which are by far not easy to manage. Some of them are closely connected to the depressive macro-economic constellation whereas some are caused by demographic trends which increase pressure on social security systems, mainly on health care and pension systems.

All this shows that the approach of the Lisbon strategy to improve European competitiveness in order to overtake the US economy without catching up with it, seems to be destined to fail. Even if the new European economy included a more encompassing – perhaps even social oriented – regulation of financial markets, it would not be possible to avoid a further dismantling of the European social model. In other words, accelerated financial market integration, i.e. the creation of a stronger European basis of a transnational regime of finance-led restructuring, is unlikely to come out as a 'win-win'-strategy. It creates not only winners but also many losers, at least if it remains part of the global DWSR. Therefore, an alternative path of European integration and societal development is required. This entails the establishment of new forms of transatlantic regulation – e.g. currency exchange targets or capital controls – which give some political control over globalised finance. This also involves a redefinition of the global governance structure and a substantial transformation, if not even abolishment, of the DWSR, particularly in terms of the IMF, World Bank, WTO etc. Thirdly, the enlarged room for manoeuvre has to be filled by an expansive macro-economic management improving the conditions for and employment-oriented revitalisation of the European economy. Finally, this will also motivate trade unions and social movements to achieve a more social oriented modernisation of welfare systems and industrial relations.

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Christoph Scherrer

'Double Hegemony'? State and Class in Transatlantic Relations

Abstract

The paper introduces research on transatlantic relations done by neo-Gramscian authors. This research is distinctive by focusing on class in international relations and by using the concept of hegemony in a relational sense. Hegemony is leadership through the active consent of other classes and groups. A central question of this neo-Gramscian research is whether an international class of capitalists has emerged. Some authors have answered in the positive. This paper, however, maintains that hegemony in the international realm is still exercised by the American state, though its foreign economic policies have been greatly influenced by internationally-oriented corporations and that these actors have increasingly found allies among economic elites in other countries. The paper explores the relationship between hegemony by the American state and by internationally-oriented capital groups against the backdrop of transatlantic relations in the post-war period and the current debate on labor rights in international trade agreements.

Introduction

The United States government has been, without doubt, the decisive force in establishing and shaping the main multilateral institutions of the world market since the Second World War. It has consistently pursued the opening of other nations' markets to gain foreign suppliers. This leadership in liberalizing international trade has been mainly achieved by lowering access barriers to the American market. Given the mercantilist history of US foreign economic policy and the injury inflicted on many American industries by lowering tariffs, this leadership is quite an extraordinary achievement. This is all the more true, as trade deficits and, more recently, the end of the Cold War have undermined the original foundations of the American commitment to a liberal world-market order: economic superiority and anti-communism.

For an explanation of the US post-war commitment to a liberal world market, I will turn to the so-called neo-Gramscian approach. This concept picks up on key insights from the prison writings of the Italian communist leader, Antonio Gramsci. In particular, Gramsci's specific interpretation of hegemony and his focus on class promise a better understanding of power asymmetries in international relations. In the following, I will argue that the ability of the US government to exert hegemony in world markets continues to rest on the hegemony of a group of 'corporate internationalists' within the United States. There is thus a 'double hegemony' at play: a nation state and a class-based hegemony.

In dealing with this 'double hegemony' my main focus will lie on the domestic side of US hegemony. Only in passing will I concern myself with the quality of American leadership in the world market: whether this leadership passes as hegemony in a Gramscian sense.

1. Theoretical Approaches to American Foreign Economic Policymaking

In the immediate post-war era, interest-group 'pluralists' and 'realists' in the field of international relations were at ease in explaining the dominance of so-called free-traders within the US polity.[1] Most industries displayed a foreign trade surplus and the United States reigned supreme among Western nations. After 1970, when the trade surplus turned into a huge deficit and when the United States' international predominance eroded, however, the US government not only continued to espouse a free trade rhetoric but also pursued actively further multinational negotiations for trade liberalization. The executive's interest in maintaining the commitment to a liberal world-market order (shared by Congress, though to a lesser degree) has so far lent no support to the gloomy predictions of economists and public choice scholars using models of a 'market for protection'.[2]

Authors in the tradition of Max Weber find the reason for this contradiction in the independent status of policy-makers. For example, Stephen Krasner has argued that state actors try to represent national interests. When confronted by a choice of interests, state actors would usually give priority to broader foreign-policy concerns over more narrow economic interests, such as the inexpensive supply of raw materials.[3]

Similarly, Judith Goldstein has argued that „continued support for the liberal economic regime is a function of the acceptance by the policymaking community of a set of rules and

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[1] See Raymond A. Bauer, Ithiel de Sola Pool, and Lewis A. Dexter, *American Business and Public Policy: The Politics of Foreign Trade*, 2nd ed., (Chicago, IL: Aldine Altherton, 1972), and Robert O. Keohane, „The Theory of Hegemonic Stability and Changes in International Economic Regimes, 1967-1977," *Change in the International System*, eds. Ole Holsti, Randolph M. Siverson, and Alexander L. George (Boulder, CO: Westview, 1980): 131-62.

[2] See Stephen P. Magee and Leslie Young, „Endogenous Protection in the United States, 1900-1984," *U.S. Trade Policies in a Changing World Economy*, ed. Robert M. Stern (Cambridge, MA: MIT Press, 1987): 145-195; and Jagdish Bhagwati, *Protectionism* (Cambridge, MA: MIT Press, 1988).

norms".[4] This ideological consensus among decision-makers rests on the belief that free trade is beneficial as long as all participants respect the rules. The increase in exceptions to the free trade rule while the rule in principle is upheld fits well with these statist arguments. However, the mechanisms for maintaining the ideological consensus among state actors have yet to be conclusively identified. To suppose a greater sensitivity to international obligations among state actors may be justified, but since the content of these obligations is open to interpretation and not all of them have been honored in recent years, this sensitivity may not be sufficient for maintaining ideological consensus. Furthermore, the assumed coherence and internal cohesiveness of the state bureaucracy in this Weberian tradition contradicts the institutional structure of the US state, commonly described as decentralized, fragmented, and relatively responsive to social forces. Even in the area of foreign policy, where Krasner believes a „strong state" exists, numerous state agencies and actors compete vigorously for policy authority. All attempts to create an effective, centralized trade ministry have failed thus far.

The belief that capitalist elites instrumentalize the state for their foreign economic interests dominates the heterodox political science tradition.[5] The free trade ideology of the state actors would therefore be the result of their dependence on dominant capital fractions. While the influence of resourceful capital groups must be considered in any explanation, the power elite theory falls short for at least three reasons. First, like pluralist approaches, it does not question state capacity. Second, it neglects the unintended consequences of actions as well as the unraveling of economic 'logic'. Third, the state remains a 'black box': This approach does not explore the relationship between society, on the one side, and the structure and functions of the state on the other side.

This critique applies less to studies inspired by a reading of Gramsci's work. These studies can account for the role of ideas, for the mechanisms producing consent, and for the impact of economic 'logics'.

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[3] See Stephen D. Krasner, „United States Commercial and Monetary Policy: Unravelling the Paradox of External Strength and Internal Weakness," *Between Power and Plenty: Foreign Economic Policies of Advanced Industrial States*, ed. Peter J. Katzenstein (Madison, WI: U of Wisconsin P, 1978): 51-87.

[4] Judith Goldstein, „Political Economy of Trade: Institutions of Protection," *American Political Science Review* 80.1 (1986): 161-184; 180.

[5] See Laurence H. Shoup, *The Carter Presidency and Beyond. Power and Politics in the 1980s* (Palo Alto, CA: Ramparts Press, 1980), and C. Wright Mills, *The Power Elite* (New York: Oxford UP, 1956).

2. Neo-Gramscian Approaches[6]

The point of departure of Antonio Gramsci's analysis of power relations is that capitalist society cannot ensure its own reproduction. The „dull compulsion of the production relations", based on the separation of producers from their means of production, is insufficient for keeping the working class in its dependent position forever. But even the use of coercion is not adequate for this purpose; other, non-'coercive' strategies are required. To analyze these strategies, which aim at creating active consent among the subordinate classes, Gramsci developed several concepts: hegemony, organic intellectual, common sense, and historic bloc. Of primary interest here is the concept of hegemony.

Hegemony refers to an entrenched form of rule that resorts to coercion only in exceptional cases. A ruling class is hegemonic and not just dominant if it succeeds in winning approval to its authority among the members of other societal classes. The more this authority is not merely passively tolerated but actively supported, the more secure the hegemony is. The degree of approval generally rests on how far the ruling institutions address the respective interests of the other classes. The congruence of interests can be achieved, first, by taking into account the interests of other classes in the formative stage of the institutions. Second, attempts can be made to mold these interests so that they become equated with the institution itself. A hegemonic order will try to embrace both variants because a simple adaptation to the interests of other classes carries the risk that its own interests will be ignored and thus hegemony cannot be exercised. On the other hand, aligning the interests of other classes with one's own can only be achieved by cunning or extreme 'coercive' measures. Whenever hegemony essentially relies on cunning and coercion, as Gramsci believed the ruling middle class did after successfully removing the yoke of feudal power, then it lacks ethical legitimacy. One particularly effective form of hegemony by deception, Gramsci argued, is the co-option of the leadership of subordinate classes, so-called transformism. The ethical side of hegemony – leading other groups to the pinnacle of knowledge, technology, and culture – pertains only to allied classes, not to rival, 'ruled' classes.

The prerequisites for the hegemony of a class, Gramsci maintained, are, first, that the class effectively organizes the production of goods; second, that it be capable of taking into account the interests of other groups; and third, that it has cultural leadership. The hegemonic class passes through typically three phases that correspond with its division of society into a socio-

[6] See A. Gramsci, *Gefängnishefte* (Hamburg: Argument, 1991ff): Gef 2 H3 §119; Gef 3 H4 §38; Gef 4 H6 §88.

economic structure, a civil society, and a political society. In the economic-corporative phase, the members of a class discover their sets of interests based on their status in production and begin to organize themselves accordingly. In this stage, their demands are short-sighted and fixated on their own economic interests. Only once when they are in a position to develop strategies for 'universalizing' their interests – which presupposes abandoning short-term interests – do they reach the next, ethico-political phase. The final, hegemonic or state phase is attained if the members of a class can give their political agenda the nature of a state and thus 'armor' their hegemony in civil society with state coercion. Even though Gramsci saw hegemony as rooted in the production sphere, the so-called base, he nonetheless understood the so-called superstructure – henceforth differentiated by Gramsci as 'bourgeois-civil' and 'political-statist' society – as more than a mere reflex of the base. On the one hand, dominance of a class in the social relations of production does not automatically translate into its dominance in the superstructure; on the other, power relations, institutions, and ideologies in the superstructure have an impact on the production sphere.

Gramsci believed that the ruling middle class does not rely solely on the state in the narrower sense but finds its support in civil society. This point is worthy of further investigation in a field characterized by the absence of a central 'coercive power'. In contrast to the neo-realism theory of international relations, which sees the state as the sole actor on the international stage and reduces power relations to quantifiable resources, neo-Gramscians introduce the parallel dimension of class and develop a concept of power that primarily rests on the ability to 'universalize' the particular interests of a group.

The first approach to using Gramsci's work for understanding international relations is found in an essay by Robert Cox on the United States' relations with the International Labour Organization (ILO).[7] Cox shed light on the quality of American hegemony within international organizations as well as on the neocorporatist integration of US unions into the hegemonic project of the USA. In his critical contribution to the debate on Kindleberger's hegemonic stability thesis, Cox presented Gramsci's concepts as an alternative method of analyzing the

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[7] For a succinct introduction to the work of Cox, see Timothy Sinclair, „Beyond International Relations Theory: Robert W. Cox and Approaches to World Order,“ *Approaches to World Order*, ed. Robert W. Cox with Timothy J. Sinclair (Cambridge: Cambridge UP, 1996): 3-18. The same volume contains a brief autobiography by Cox. See also Robert W. Cox, „Labor and Hegemony,“ *International Organization* 31.3 (1977): 187-223. Robert W. Cox, „Gramsci, Hegemony and International Relations: An Essay in Method,“ *Historical Materialism and International Relations*, ed. Stephen Gill (Cambridge: Cambridge UP, 1993): 49-66; Robert W. Cox, *Power, Production, and World Order* (New York: Columbia UP, 1987). See in this context also Robert O. Ke-

international relations of capitalist nations. Cox demonstrated the empirical implications of this instrument in a comprehensive study on the social structure of the capitalist accumulation process and the emergence of international historic blocs since the beginning of the industrial age.

Kees van der Pijl, still strongly influenced by structural-deterministic Marxism, studied processes of transatlantic class formation in the post-war era, laying the groundwork for the central research field of the neo-Gramscians: formation processes of an international bourgeoisie. 'Cox student' Stephen Gill in particular was instrumental in propagating the neo-Gramscian approach. The textbook he co-authored with David Law on international political economy contrasted the theoretical bases, methodology, and empirical application of the approach with those of the leading paradigms of the discipline. What followed was an empirical study of the Trilateral Commission (see below), which underpinned Gill's previous thesis about an 'ethical hegemony' of the United States over the Western industrial nations.[8]

From the neo-Gramscian viewpoint, the liberal world-market order of the post-war era may be interpreted as a project of internationally-oriented capital fractions in the United States (notably New York banks and law practices as well as transnational corporations from the various sectors). These fractions succeeded in hegemonically integrating into their project important groups in the United States on the one hand, and – through the resources of the US government – the other capitalist industrial nations on the other. Contact with the allied nations was organized not only at government level but also at private forums that served the capital fractions in terms of promoting the congruence of interests. The American actors were hegemonic in the sense that they took into account the interests of allied nations/capital fractions in the pursuit of their own long-term goals.[9]

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ohane, *After Hegemony: Cooperation and Discord in the World Political Economy* (Princeton, NJ: Princeton UP, 1984) 32; 39; 44.

[8] See Stephen Gill and David Law, *The Global Political Economy. Perspectives, Problems, and Policies* (Baltimore, MD: The John Hopkins UP, 1988); Stephen Gill, „US Hegemony: Its Limits and Prospects in the Reagan Era," *Millennium* 15 (1986): 311-336; Stephen Gill, *American Hegemony and the Trilateral Commission* (New York: Cambridge UP, 1990); Alan W. Cafruny, „A Gramscian Concept of Declining Hegemony: Stages of US Power and the Evolution of International Economic Relations," *World Leadership and Hegemony*, ed. David P. Rapkin, (Boulder, CO: Lynne Rienner Publ., 1990): 97-118.

[9] See Cafruny, „A Gramscian Concept"; Gill, *American Hegemony*.

Criticism of the now voluminous works by neo-Gramscians commenced in the 1990s. Within the broad and diversified Marxist scholarship, critics of Gramsci and neo-Gramscians can be divided into two camps: orthodox and post-positivist. They differ primarily in their understanding of the reproduction mechanism of the capitalistic means of production. In the orthodox view, once the major institutions of capitalism have come into existence, then the capitalist means of production will perpetually create their own conditions for reproduction owing to an immanent capital logic. By contrast, from the post-positivist perspective, this reproduction process is never secure but is constantly in a position of peril. Rather, the contingent and open-ended nature of all societal institutions is assumed.

The orthodox literature accuses Gramscianism primarily of politicism or voluntarism. Their main charge is that the Gramscian tradition neglects capitalist structural constraints, thus overestimating the possibilities for conscious and strategic action and at the same time overemphasizing the necessity of such action for the reproduction of capitalist society. According to Burnham,[10] market mechanisms of competition are what ensure the reproduction of bourgeois domination, political coordination in civil society being merely of secondary importance. Economic laws, particularly the law of value, govern international relations. Burnham cites as empirical evidence how the pace and manner of world-market integration of Great Britain in the immediate post-war period were dictated by its balance of payments.

The accusation of politicism has a long tradition.[11] It is based on Gramsci's break with the then predominant theory of the Communist movement, economic reductionism, which challenged not the primacy of the economic base in capitalism per se but the notion that society is fully determined by its base and that economic trends have the quality of laws of nature.[12] Yet Gramsci only just touches on concrete economic laws, though regulation-theoretical works show that his political insights are compatible with an economic base (as long as the latter is not awarded ontological status). Likewise, the challenge to the laws of societal development in Gramsci's writings should not be taken as an undervaluation of the restrictive effect of structures. Although as party leader he tried to overcome structural constraints, and in prison he held on to the party primacy by taking a positive stance toward Jacobinism,[13] his reflecti-

[10] See Peter Burnham „Neo-Gramscian Hegemony and the International Order," *Capital & Class* 45 (1991): 73-93.

[11] See Christian Riechers, *Antonio Gramsci – Marxismus in Italien* (Frankfurt/Main: Europäische Verlagsanstalt, 1970).

[12] See A. Gramsci, *Gefängnishefte*: Gef 4, §38.

[13] See Gramsci, *Gefängnishefte*: Gef 1, §44; Christine Buci-Glucksmann, *Gramsci und der Staat. Für eine materialistische Theorie der Philosophie* (Köln: Pahl-Rugenstein, 1981): 61ff.

ons on defeat as preserved in his prison writings are characterized by an analysis of structural conditions.

The charge of politicism is more appropriate concerning Gramsci's followers. Though Cox, Gill, and Law never fail to stress that hegemonic relations are entrenched in production, they do not consider how much economic functional interdependence (e.g., balance of payments) influence the action of political players. Gill and Law in particular credit the elite with a surprisingly high degree of freedom of action.[14] Rupert's analysis of the connection between US hegemony and labor disputes in the mass production industries shows, however, that Gill's voluntarism is not immanent in the Gramscian approach.15 Moreover, Rupert stresses one important element of the post-positivist approach: that (economic) interests are not fix, but instead develop and are therefore changeable and subject to influence by actors.[16] Sadly, world-market-mediated effects are underrated by Rupert as well.

Thus, while orthodox criticism only partially applies to Gramsci, there remain some problematic orthodox remnants in Gramscianism. Ernesto Laclau and Chantal Mouffe convincingly argued that it has not consistently distanced itself from the essential apriorisms of traditional Marxist theory.[17] Among these essentialisms is primarily classism, the idea that the working class represents the privileged actor of social change. In taking this criticism seriously, my approach differs from previous neo-Gramscian-inspired studies of the United States and the world market by not privileging the world-market-oriented capital fractions a priori in my analysis. Instead, first all relevant society and state actors and their positions on foreign economic policy are identified. Then the factors contributing to the defense or shifting of these positions will be defined. Only then did I study the relations of dominance in the free-trade camp. Additionally, I look for open situations where the option of preventing further, or backtracking from previous, liberalization steps would have been possible. In so doing, I endeavor to reconstruct the context of the decisions taken in terms of opportunities for action and structural constraints.

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[14] See Gill and Law, *The Global Political Economy* 83-101.

[15] See Mark Edward Rupert, *Producing Hegemony: The Politics of Mass Production and American Global-Power* (Cambridge: Cambridge UP, 1995).

[16] See ibid. 56.

[17] See Ernesto Laclau and Chantal Mouffe, *Hegemonie und radikale Demokratie* (Wien: Passagen Verlag, 1991).

3. Project World Market: The Liberalization of US Foreign Economic Policy

As mentioned earlier, the US government exercised its economic hegemony notably by opening its own market. In accordance with the standard of reciprocity of the world trade regime, the US government eased access to its own market in return for every tariff reduction and for every lifting of a non-tariff trade barrier (e.g., technical standards). Access to this huge market was and remains coveted. The success of companies from Germany, Japan, South Korea, and now China on the US market has been responsible for the dynamic strength of their respective economies. At the same time, this success has bolstered the export-oriented forces in these countries.

Although the opening of the US market is a key prerequisite for globalization processes, it cannot be taken as a matter of course. Even less so, considering that US reliance on an international division of labor has been comparatively small.[18] Until the Second World War, US foreign economic policy was shaped by an ideology of economic nationalism, which took the form of a high tariff policy for industrial products. Ever since, the key players in foreign economic policymaking have been guided by the free trade gospel of dismantling trade barriers of all kinds. Yet polls show that, over the entire post-war period, a majority of Americans have viewed the opening of the US market with a great deal of skepticism, if they have not outright opposed it. The question arises how foreign economic policy could have been liberalized when there was neither obvious economic necessity nor unequivocal democratic legitimization.

The liberalization of US foreign economic policy from 1936 found wide consensus among the elite, the approval being strongest among representatives of government, banks, corporations, and the media as well as among economic experts. Their interests in a liberal foreign economic policy can only be partly explained by economic self-interest and the preservation of institutional power. In the various international and foreign-economic policy organizations (e.g., Council on Foreign Relations), consensus on the advantages of a liberal foreign economic policy was driven by other political goals, particularly the containment first of German and then of Soviet influence.

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[18] For the post-war domestic growth path, see Christoph Scherrer, *Im Bann des Fordismus. Der Konkurrenzkampf der Auto- und Stahlindustrie in den USA* (Berlin: edition sigma, 1992).

The emphasis here on the discursive formation of free trade consensus should however not lead to the assumption that this consensus came about purely intentionally. Tendencies toward internationalization are immanent in the capitalist economic order. And the internationalization of economic activities cannot be reversed at the drop of the hat. The greater the integration of global markets, the higher the adjustment costs when trying to seal off the national economic arena. The irreversibility of internationalization is secured through international agreements. The renationalization of economic activities either violates contractual obligations or entails an arduous renegotiation with a multiplicity of nation states. Yet as the transition to the flexible exchange rate regime (1971-73) showed, the United States as world economic hegemonic power could flout agreements with impunity (see below).

Although in the post-war period the world-market-oriented corporate elite needed the support of the White House, the media, and experts for formulating and implementing their trade policy interests, they wielded the greatest power in the free trade camp. Their authority is underpinned chiefly by money. Thus they have formidable influence in the selection of candidates for political offices including the Presidency. The fact that the media are privately owned is a boon for them, as over 40 percent of campaign budgets are spent on radio and television advertisements.

Thus the world-market-oriented capital fractions can be characterized as hegemonic because they could give their political agenda a statist form, i.e. their agenda was institutionally incorporated into the government. Moreover, they succeeded in shaping the discursive terrain of foreign economic policymaking. In contrast to the period prior to the Second World War, the demand for product-specific protection no longer has the status of a universally valued principle but is now handled as a specific exception to a general principle of free trade. This reversal from the principle to the exception, which occurred in the immediate post-war era, facilitated the institutional channeling of protectionist demands and prevented companies threatened by imports from closing ranks.

Although the public was not convinced by the principle of free trade, it was open to the idea of fair trade, understanding fair to mean basically the reciprocal opening of the respective national markets. This distinction was never forgotten by the key players in foreign economic policy liberalization. They reached bi- and multilateral agreements on liberalization, propagated the content of such accords as reciprocal measures, and, after the Kennedy Round of GATT, they held out the prospect of compensatory payments for jobs lost due to import competition. There was another reason why the public's trade policy fears found little resonance in public discourse: It had no political representation. Until the late 1970s, both the unions and the pro-labor wing of the Democratic Party advocated the liberalization policy mainly out of considerations for the Western Alliance.

Beginning in the mid 1970s, however, some of the central assumptions underpinning the liberal foreign economic policy were successively called into question. First, the system of fixed exchange rates proved to be less and less compatible with America's global political ambitions and full employment goal. High expenditures for international military deployment (the Vietnam War), the growing demand for foreign products, and increasing direct investments in foreign countries led to a deficit in the balance of payments, which could be corrected only by official sales of gold or the inflationary printing of dollars. Presidents Kennedy and Johnson (1961-68) thus were confronted with the choice of scaling back their military engagement, rescinding the liberalization of the movement of goods, slowing down capital drain, or deflating the domestic economy. They decided to restrict the formerly unimpeded cross-border capital movements.

As long as the capital controls were merely temporary measures, the societal protagonists of the free trade project, notably the New York financial world, accepted these restrictions of their power of disposition and profit-making opportunities. From 1965, however, as the cross-border activities of more and more companies came under state supervision, the search began for ways of reconciling free trade and free capital movements. One remedy, propagated especially by monetarist economist Milton Friedman,[19] was the transition to flexible exchange rates.

The rejection of capital controls marked a shift of the interests in the world market. Where earlier anti-communism united the free trade coalition, with the world market as the means for integrating both the allied nations and the working public into a Fordist production coalition, now the unifying interest was to use the world market in order to reject workers' demands. The unions' departure from the free trade coalition accelerated this shift of interests. The 'Burke-Hartke' bill launched by the unions in 1971, which called for extensive state regulation of transnational corporations, sent the domestic-market-oriented corporations and the remaining newspapers with protectionist stances into the camp of the free traders. 'Burke-

[19] See Milton Friedman, „Using the Free Market To Resolve the Balance-of-Payments Problem," Statement in *Hearing before Joint Economic Committee of the Congress*, 1963, reprinted in: *American Foreign Economic Policy*, ed. Benjamin J. Cohen (New York: Harper & Row, 1968): 87-98.

Hartke' turned foreign economic policy into a class question: nearly all business associations were pitted against nearly all unions.

4. Trilateralism: A Response to Nixon's Unilateralism

In the Nixon administration, the internationalists had to share power with groups of a more domestic-market orientation. This became painfully clear when, in 1971 – the year of the first trade deficit since the turn of the century – President Nixon abandoned the Bretton Woods Monetary Order and unilaterally imposed a ten percent import surcharge. The latter policy alarmed the internationalists since unilateral US protectionist action would have seriously undermined the credibility of the free trade gospel. Several transnational liberals resigned their posts within the administration and joined the efforts of David Rockefeller to found the Trilateral Commission. The Commission set daunting tasks for itself; namely, „to oppose a return to the mercantilist policies of the 1930s, to integrate Japan into the core of the American alliance system; and to change the orientations of the foreign and domestic policies of the major capitalist powers so that they might become congruent with a globally integrated economic structure".[20] The Commission explicitly included CEOs and political consultants from Western Europe and Japan. Its credo was to overcome the nation state: „The public and leaders of most countries continue to live in a mental universe which no longer exists – a world of separate nations – and have great difficulties thinking in terms of global perspectives and interdependence."[21] The objectives of the Trilateralists went further than criticizing Nixon for a lack of concern for the liberal world-market order. Those Commission members affiliated with the Democratic Party were trying to regain domestic consent to and international legitimation for US international activism, which had been lost owing to the Vietnam war and the cynical use Nixon and Kissinger made of 'Realpolitik'.

Their solution was most forcefully articulated by Zbigniew Brzezinski (the Trilateral Commission's first director): Engage in a human rights campaign, share power with the Western

[20] Gill, *American Hegemony* 143.

[21] Trilateral Commission Task Force Report, „Toward a Renovated International System," January, 1977, quoted in *NACLA Report*, From Hemispheric Police to Global Managers, July/August (1981) 6.

allies, and respond to Third-World aspirations „within a framework of generally cooperative relations".[22]

The Trilateralists were successful at first. The import surcharge was rescinded. With the demise of Nixon, the access of the Trilateralists to the executive was greatly improved. At the end of 1975, President Ford realized the idea of closer coordination among the Western powers by attending the first summit of the seven most powerful Western nations held at Rambouillet. The apex of the Trilateralists' triumph was reached when their fellow member Jimmy Carter became president. Carter recruited most of his foreign-policy staff from within the Commission and started in earnest the experiment to manage the world market (and world politics) in close collaboration with the most important allies.

Seen from outside the United States, the policy success of the Trilateralists was an attempt to reinvigorate US hegemony in a Gramscian sense, i.e. by taking into account the interests of allies. To accomplish this renewal of hegemony, the corporate internationalists had to renew their own hegemony within the United States. They succeeded by developing an intellectually cohesive program and by establishing a new organizational vehicle to lend institutional support for this program. They benefited greatly from the obvious failures of 'Realpolitik'.

5. The Limits of Trilateralism

At the end of Carter's tenure, the Trilateralists considered their own project a failure. The revolution in Iran and the Soviet intervention in Afghanistan were both interpreted as resulting from a lack of Western determination. A decision-making structure built on consensus, they argued, could not adequately avert the challenges to the capitalist world order. The allies also displayed little willingness to share in the costs of maintaining the Pax Americana. West Germany's chancellor, Helmut Schmidt, showed little inclination to support the Carter administration's policies of economic expansion. He refused to defend the US dollar. The dollar's subsequent precipitous decline in 1979 encouraged Carter to impose budget austerity and the Federal Reserve to increase interest rates. The world of nation states, which supposedly had already been overcome, had reared its ugly head.

[22] Fred Bergsten, quoted in Holly Sklar, „Trilateralism: Managing Dependence and Democracy," *Trilateralism. The Trilateral Commission and Elite Planning for World Management*, ed. Holly Sklar (Boston, Mass.: South End Press, 1980): 1-58; 25.

These foreign developments did not simply challenge the idea of trilateralism. They also posed an immediate threat to the interests of the Commission's corporate members. Third World assertiveness translated into higher prices for raw materials, threatened their steady supply, and led at times to the expropriation of assets. The weakness of the US dollar imperiled the privileged role of American banks in the world capital markets.

The critique of trilateralism on an international scale coincided with the rejection of tripartism in the domestic arena. The Carter administration had developed the concept of tripartite re-industrialization to manage the impact of growing foreign competition. This was to be jointly conceived and implemented by representatives of capital, labor, and the state. From management's perspective, however, tripartism perpetuated precisely what was perceived to be the main cause of their lack of competitiveness: the accommodation of labor's interests. In contrast, political action 'against' the state held the promise of improving industry's conditions of accumulation at the state's expense. It would also give firms the freedom to pursue strategies to weaken labor or, if these failed, to move out of production altogether. The managers of industries in distress, with the exception of Chrysler, rejected Carter's offers for tripartite crisis management.[23]

In response to the international challenges and the new domestic agenda, many internationalists abandoned trilateralist 'accommodationism' and turned to the unilateralist position espoused by the supporters of Ronald Reagan.[24] US interests were to be furthered by the 'free play' of market forces. International cooperation was no longer considered necessary. Complaints of other countries that the US budget deficit and high dollar were distorting the international monetary and financial system, went unanswered.

Instead, it was hoped that the unilateral actions would force other countries to pursue „structural (i.e., microeconomic) policy reforms to bring down inflation and free-up labor, capital, and product markets".[25] Thus Reagan's unilateralism was not a rerun of Nixon's 'domesticism' but a conscious attempt to project America's structural economic power abroad and set the conditions of its economic relations with other states. Internationalism was not abandoned. Rather, it was stripped of its 'cosmopolitan' rhetoric and became firmly rooted in 'national interests'.

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[23] See Scherrer, *Im Bann des Fordismus* 200-209.
[24] See Gill, *American Hegemony* 223-226.
[25] Henry R. Nau, *The Myth of America's Decline. Leading the World Economy into the 1990s* (New York: Oxford UP, 1990) 216.

Yet the limits of unilateralism became apparent shortly after its adoption. When Mexico threatened to default on its loans, the liquidity crisis threatened US banks. In response, the Reagan administration negotiated a common debt crisis strategy with other creditor nations. Moreover, the policy of strengthening the dollar had made imports ever more cheaper and ubiquitous. Hard-pressed domestic industries cried for protectionism. The administration deflected these calls with a devaluation strategy. But this presupposed cooperation with the other central banks, for unilateral action would have risked an uncontrollable flight out of the dollar. Thus, by the mid 1980s, the United States returned to cooperation (cooperation here should not be confused with harmony of interests).

Despite these obvious limits of unilateralism, the return to a more cooperative strategy at least toward the Western allies was made possible precisely because unilateralism had achieved its main objective: to avert the challenges to capitalist rule. The power of labor, both inside and outside the United States, had been weakened. The terms of trade for raw materials deteriorated and the debt crisis forced many countries in the periphery to adopt a more 'welcoming' attitude to foreign enterprises. Furthermore, American unilateralism did enjoy support from abroad. Basically all those groups who wanted to break loose from the Christian/Social Democratic class compromise welcomed the policy shift under Reagan, foremost the British Tories under Prime Minister Margaret Thatcher.

6. The New Trilateralism as Global Constitutionalism

A further consequence of the high interest rate and high dollar policy of the early Reagan years could be used against the allied industrial nations; namely, the meteoric rise in trade deficits. Contemporary trends in foreign economic theory provided arguments for a 'strategic trade policy', which would force other nations to open their markets by threatening to close the US one. In addition to companies from the high technology sector, suppliers of sophisticated services and owners of copyrights joined the group of open market strategists. Together with various think tanks and supported by large internationally-oriented foundations, they popularized the notion that services could be rendered transnationally, that national regulations of the respective sectors prevented this, and that consequently the dismantling of these barriers must be negotiated in the framework of GATT. This idea was received enthusiastically by the Reagan administration because it afforded the possibility of channeling commercial pressure toward free trade.

Paradoxically, the trade deficit gave the United States bargaining power. Foreign countries were much more dependent on access to the US market than the American economy was on access to foreign markets. Thus the Washington government could function as a battering ram against the national self-interests of transnational corporations in other countries. The threat of imposing sanctions – occasionally enforced – compelled not only Japan to lower non-tariff trade barriers and to deregulate its economy, but Western Europe as well. Again, the US demands were welcomed in both regions by many economists, the top leadership of business groups, and parts of the ministerial bureaucracies.

The unilateral measures proved to be helpful in concluding bilateral free trade and investment protection agreements as well as in establishing the World Trade Organization (WTO). The Canadian government's decision to crown its neoliberal policy change of the mid 1980s with a free trade zone with the United States was driven by a growing wariness of increased protectionist measures on the part of the US government. Moreover, the conservative Mulroney administration saw a free trade agreement with its neighbor (enacted in 1988) and the concomitant concessions to the US government as a catalyst for further neoliberal reforms in Canada.

Similar motives underlay the Mexican government's interest in the North American Free Trade Agreement (NAFTA). Among the NAFTA boosters in the United States, who, like David Rockefeller before them, had pushed for a continental free trade zone since the 1960s, support for NAFTA took on virtually counter-revolutionary dimensions. The motive of contractually exorcising the specter of an independent Latin American course was divulged in manifold ways in the statements of NAFTA advocates. In six out of 10 New York Times editorials on NAFTA, the lock-in of neoliberal reforms in Mexico was mentioned as one of the specific advantages of the agreement. This motive conspicuously resurfaced in the discussions on the peso crisis after NAFTA came into effect. Appearing before a Senate committee, development expert Rudiger Dornbusch raised the specter of bolstering the „retrograde camp“ in Mexico if „our model“ there were not safeguarded by the monetary rescue package.[26]

Moreover, negotiations on a free trade zone with Canada aimed at influencing the GATT round, as the first-time inclusion of services in a free trade agreement should serve as a model for GATT rules. The investment and copyright protection provided for in NAFTA should in

[26] Rudiger Dornbusch, quoted in Edward Herman, „Mexican Meltdown; NAFTA and the Propaganda System," *Z Magazine* 8.9 (1995): 36-42; 37.

turn serve as the basis for multilateral agreements with developing countries and emerging economies.

At the close of the Uruguay Round of the GATT, the developing countries were willing to make hefty concessions toward opening their markets in the hope that a more powerful dispute settlement process in the framework of the World Trade Organization would hinder Washington from taking unilateral trade actions. In contrast to its stance toward the International Court of Justice, the United States has thus far abided by the decisions of the WTO.

The restrictions to state 'tyranny' – notably toward foreign investors – brought about through debt crises, NAFTA, and the WTO would be broadened and cemented in the 1998 Multilateral Agreement on Investments (MAI), which would initially apply only to OECD member-states. This agreement would guarantee the protection of international investors from expropriation and from discrimination that favors locally based companies. Investors would even be given the right to sue a government in an International Court of Justice. The implications of this agreement were aptly described by the former Director General of the WTO, Renato Ruggiero: „We are writing the constitution of the united world economy."[27] At first, opposition by France and determined mobilization, particularly by the American consumer organization, Public Citizen, blocked the signing of the MAI. But this initial failure did not discourage the diverse national and international corporate alliances (including Business Investment Network, Transatlantic Business Dialog, European Roundtable, as well as the Trilateral Commission). Together with the finance and economics ministries of most industrial nations, they pursued this 'bill of rights' of capitalism primarily through bilateral agreements between their state spearhead, the US government, and other countries.

Since its beginnings in the early 1970s, the trilateral project has moved from securing a liberal world-market order by accommodating labor and Third World interests to a global constitutionalism where private assets are protected from state interference and restrictions.

The success of the internationalists rested not only in their ability to transform nationalist impulses into strategies for opening up other nations' markets. They used their privileged position in society and the state for effective discursive strategies.

On the one hand, they swayed public opinion through numerous strategies: by appealing to and invoking common sense, by restricting the field of public discourse, through selective

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[27] Lori Wallach, „Das neue internationale kapitalistische Manifest," *Le Monde Diplomatique*, German edition (February 1998): 16.

publication and interpretation of poll results, by playing down the significance of a given subject in the public's eye. They used canvassing methods to develop their discursive strategies; i.e. they conducted surveys to test the persuasiveness of individual foreign trade policy arguments. This revealed the effectiveness not so much of economic arguments but of portraying liberalization measures as a way of honoring the United States' right to leadership.28 Nor did the administration, the media and the experts shy away from consciously deceiving the public on a number of occasions.[29]

On the other hand, they succeeded in preventing the still largely critical attitude of the public from affecting policy. In particular, their ability to build consensus among the elite enabled them to hinder until the late 1960s the public's free trade skepticism from finding political representation. Later, the free trade consensus of the elite (which was especially strong among the media) helped marginalize those persons and organizations who tried to exploit the public's protectionist tendencies for campaign purposes or to mobilize against further liberalization measures.[30] In some cases, most recently during the implementation legislation for the Uruguay Round of GATT, the administration and congressional leadership delayed controversial votes until the risk of not being reelected was at a minimum.[31]

Moreover, each administration knew how to play on the foreign trade fears of the public. Although often no more than symbolic gestures, the president and Congress insisted on reciprocity, stipulated special protectionist clauses, and granted financial compensation.

Meanwhile the critics of liberal foreign trade policies contributed to their own marginalization. The trade union federation AFL-CIO was incapable of closing ranks with critics of other aspects of the prevailing foreign policy, nor did it show itself adept at using academic expertise or attracting experts for its positions. In important foreign trade policy decisions (e.g. the Bretton-Woods monetary crisis, the dollar crisis under President Carter), it therefore lacked convincing alternatives. The analysis of public opinion polls further demonstrates that the AFL-CIO did not grasp how to turn its foreign trade policy positions into a foreign policy program palatable to the public.[32] Thus proving the critical relationship between the quality of a political project and its power to influence policy. Quality means not only a solid academic

[28] Christoph Scherrer, *Globalisierung wider Willen? Die Durchsetzung liberaler Außenwirtschaftspolitik in den USA* (Berlin: edition sigma, 1999) 145-155.
[29] See Scherrer, *Globalisierung wider Willen?*: 347-348.
[30] See Scherrer, *Globalisierung wider Willen?*: 240-246.
[31] See Scherrer, *Globalisierung wider Willen?*: 304.

basis for the arguments, but primarily the ability to incorporate the interests of important societal actors as well as to take into account structural effects of practices that are either unquestioned or well-defended. Naturally, this insight applies also to projects of the elite networks.

7. Symbolic Politics: Social Clauses[33]

The disputes over social clauses in the World Trade Organization during the Clinton administration (1993-1999) are instructive for a discussion on the double nature of the United States hegemony because they disclose the following paradox: the opposing forces were the hegemonic internationally-oriented economic circles in the US, whereas the Washington government was one of the most staunch supporters of social clauses.

For many years the International Confederation of Free Trade Unions has called for the incorporation of core workers' rights into trade agreements as social clauses. The trade privileges granted in these agreements would be made contingent on the respect for the following core rights: freedom of association, collective bargaining, prohibition of child labor and forced labor, banning discrimination in work and career as well as the elimination of gender-based wage discrimination. A joint advisory body of the WTO and the International Labour Organization would monitor compliance of the clauses. In the event of non-compliance, technical and financial assistance would be provided in an effort to support the respective country in achieving compliance. The ILO could recommend further measures – including trade sanctions – only in cases of flagrant or persistent violations and government intransigence.

A good case can be made for claiming that internationally binding social standards not only guarantee respect for human rights, but can also enhance a country's opportunities for economic development.

Yet this viewpoint is shared neither by most governments of developing and threshold countries nor by economists and managers. All the major trade associations in the United States reject social clauses. Why then had the Clinton administration become their champion? Past experience might help to answer this question. In 1984, human rights groups were able to push through the social clause in the United States' General System of Preferences (GSP) against the will of President Reagan at the time. They succeeded because of a particularly

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[32] See Scherrer, *Globalisierung wider Willen*?: 97-104, 284-300.

[33] For an extensive discussion of social clauses, see Christoph Scherrer and Thomas Greven, *Global Rules* (Müster: Verlag Westfälisches Dampfboot, 2000).

favorable political situation. Apart from President Reagan, only a handful of active supporters advocated the renewal of the GSP program; namely, those exporters, multinational corporations, and US importers trading in goods that would have incurred high or very high tariffs without GSP. In addition, Reagan stood behind the demand of business to link the granting of GSP to the protection of intellectual property. In view of this breach of the General System of Preferences principle of non-reciprocity, Reagan as well as Congress could not refuse social conditionalization. Opposition to these clauses was indeed minimal, not least because the president was afforded ample power of discretion. The enforcement history of the social clauses confirms the Reagan administration's calculation that it could get by with symbolic politics for the most part. Preferences were withdrawn only from politically outcast countries.

The 1994 North American Agreement on Labor Cooperation marked the first time within the framework of an international trade agreement, NAFTA, that a Commission for Labor Cooperation was set up to monitor compliance with national social standards. This agreement came about because many Americans did not share the enthusiasm for NAFTA felt by the leaders of diverse political-societal institutions. Candidate Clinton tried to dispel criticism by promising renegotiations. As president he promptly honored his promise, and in March 1993 negotiations began with the Mexican and Canadian governments over subsidiary agreements on workers' and environmental issues. In light of Mexico's intransigence, private sector opposition in America, and the conservative Canadian government's apathy, the outcome of the negotiations was quite paltry. Although the unions and environmental groups remained steadfast in their opposition to NAFTA, the subsidiary agreement facilitated its passage.

The Labor Side Agreement provides little leeway for imposing sanctions, which is then an involved procedure. Mainly moral suasion or diplomatic pressure is exercised. No noteworthy progress has been made in any of the cases thus far.

The Clinton administration's demand for social clauses in the framework of a continental free trade zone (Free Trade Area of the Americas, FTAA) or the WTO would have performed the same function; namely, to supply the president with a congressional mandate to conduct negotiations. Yet he was denied this mandate after the ratification of NAFTA in 1993 and GATT in 1994. The Republicans, who reached a majority in Congress in 1994, were reluctant to give the democrat president an opportunity for success in trade policy, which would have further loosened the purse strings of corporate donors. At the same time, though, they were eager to show the business community which party had its trade interests at heart. The Republicans succeeded at this balancing act over the issue of social and environmental clauses: By making the argument on behalf of the business community for free trade and against social and environmental conditions, they laid the blame for the mandate bill's failure at the president's door. Once the latter was ready to abandon the social and environmental conditions, the Republicans attempted to discredit as protectionists the House Democrats who were still committed to those clauses. These Democrats in turn maintained that it was the Republicans' unwillingness to compromise on the issue of the social and ecological conditionalization of world trade that led to the bill's demise.

This maneuvering was possible only because the point of the negotiating mandate – the creation of a continental free trade zone – was less urgent than NAFTA, even among FTAA supporters. For US corporations, the planned WTO Millennium Round was less important than China's negotiations for membership in the World Trade Organization and the fight against trade sanctions being used as a foreign-policy tool.

The minor significance the business community attached to an FTAA is conspicuous in the hard line it took on the issue of social and environmental clauses. The prevention of another precedence case linking workers' rights and environmental standards with the trade regime was a higher priority than a continental free trade zone. Corporations and corporate alliances even founded a new organization, the Coalition for a Sound Trade Policy, to fight social and environmental clauses. In the run-up to the third ministerial conferences in Seattle, leading free trade theorists including Jagdish Bhagwati advised against a WTO Millennium Round as long as there was still the danger of such a precedence case.

This opposition also explains why the Clinton administration came out strongly in support of social clauses in Seattle in December 1999 but was not willing to make concessions in other areas to the countries involved. In view of the strong reservations of the business community, Clinton could not possibly link the demand for social clauses with concessions to developing countries.

In conclusion, the apparent contradiction between the American government's supposed function as a state 'battering ram' to open markets world-wide and its actual position on social clauses becomes unraveled upon closer analysis of the actions of the economic internationalists. First, the internationalists could usually count on the opposition of the governments involved (see the ministerial conferences of the WTO). Second, because of this opposition, they could use the demand for social clauses as leverage for achieving other demands. At the second ministerial conference in Singapore in 1996, suspicion was rife that the United States had come out so staunchly in support of social clauses in order to achieve its real goal: the liberalization of the world market for information technologies. This measure was initially rejected by many countries of the South, but not as vehemently as was the demand for social clauses. In exchange for dropping the latter, the agreement on information technologies found easier ratification. Third, whenever societal opposition to their liberalization plans threatened to obtain a congressional majority, the internationalists succeeded in reducing the content of the social clauses to an almost purely symbolic dimension (see GSP social clauses and the NAFTA subsidiary agreement). Fourth, they have recently had other opportunities for achieving their goals (read debt crisis); thus they could afford to postpone further negotiations on opening markets, as long as the negotiating mandate for these could only be acquired at the cost of a stronger conditionalization of trade (see FTAA and the WTO Millennium Round). Fifth, there is an alternative to social clauses: voluntary codes of behavior. And finally, they could wait for a Republican candidate to become President. In the summer of 2002, President George W. Bush succeeded in obtaining a congressional mandate for trade negotiations, the Trade Promotion Act, without any social and ecological conditionalization.

8. The 'Complex Interdependence' of 'Double Hegemony'

Does Gramsci's conceptualization of the term hegemony deliver a better understanding of the power relationships in world markets? One will recall that Gramsci defined hegemony as the ability of a group to 'universalize' its particular interests. Hegemony is achieved primarily by 'non-coercive' means (e.g., by offering a framework for the solution of other groups' problems) though not without coercion as a backdrop.

On the international level, US interest in securing a liberal world market and in containing communism matched well with Western Europe's and Japan's interest in military protection and in rebuilding their war-torn economies. Access to American markets proved to these allies extremely valuable. This access was made possible by a reversal of previous protectionist policies and by US support for a fixed exchange rate regime.

American hegemony eroded, however, when the US government attempted to shift the increasing costs of hegemony onto its allies. A transition period followed that was marked by failed attempts to regain hegemony under President Carter. Interestingly, the assertion of self-interest and the use of more 'coercive', unilateral means led to a renewed hegemony under President Reagan. However, coercion was by far not the only and dominant means. Intellectual efforts toward shaping a new, decidedly more market-oriented vision were well received among the allies. While achieved mostly in a unilateral fashion, Western allies benefited from the restoration of a regime of secure and inexpensive raw materials and from the strengthening of property rights in general.

The interests in strengthening the right to manage, however, was not shared by all political groups and reveals a class bias in the renewed hegemony: It moved from a Fordist (Christian-Social Democratic) project, which included workers and their representatives, to a neoliberal constitutionalist project.

This bias became apparent within the domestic US context when economic internationalism lost support among the representatives of workers. In fact, the internationalists have never succeeded in obtaining the active consent of a majority of Americans to their policy of easing access to the American market. However, the internationalists have displayed an extraordinary capacity for instrumentalizing domestic nationalist challenges for their own purposes. They have transformed nationalist impulses into strategies for opening up other nations' markets.

This transition period from Fordist to neoliberal hegemony highlights three valuable Gramscian insights. First, it shows that economic strength may be a necessary precondition for hegemony but not a sufficient one. Economic or military strength does not automatically translate into hegemony. Rather, hegemony has to be discursively and strategically maintained. Second, international hegemony and domestic hegemony are interdependent. On the one hand, a nation's hegemony is consolidated only when its hegemonic forces support its outward strategies of 'universalizing' its national interests by accommodating foreign ones. Once this support waned in the US case, US hegemony became fragile. On the other hand, challenges to international hegemony threaten domestic hegemony. The increasing costs of the Fordist hegemony undermined the position of internationalists in the US domestic arena. The internationalists had to reinvigorate their hegemony by forging new domestic alliances and by discursively readjusting their objectives. This in turn allowed them to further their project of liberalizing the world market. In breaking down barriers to market access abroad, they made effective use of American power. Third, the common focus on hegemony in international relations as a characteristic of a nation state is far too narrow. The international space is divided not only by national boundaries but also by class and other categories of identity. American hegemony was successfully renewed because its market-oriented message fell on the receptive ears of owners and managers of firms world-wide.

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Leo Panitch & Sam Gindin

Euro-Capitalism and American Imperialism

Introduction

For some two decades now, progressive American, British and Canadian intellectuals, determined to resist neo-liberalism's 'there-is-no-alternative' mantra, have looked to continental Europe for an alternative model. One virtue of this academic and political project – which within the field of comparative political economy has now come to be known as the 'varieties of capitalism' approach – has been that it challenged the notion that capitalist globalization inevitably needed to take the form it has, apparently entailing, as so many of its proponents imagined, the growing impotence of nation states and the increasing homogenization of social formations. The insistence on variety among states has meant trying to refocus attention on the continuing salience of institutional arrangements and social relations specific to particular social formations and their histories, the very dimensions largely ignored in the equations of neo-classical economics and the policy prescriptions of the IMF. Above all, this approach has suggested that whether and how societies adapted themselves to global competition remained an open and important question.

There are, however, a number of analytic problems with the varieties of capitalism approach which must give us pause. We argue in this paper that apart from an inadequate and misleading conceptualization of the relationship between state and market in the era of globalization, the most severe problem is the tendency to treat all the advanced capitalist states as equal units of analysis. This occludes the overwhelming power - and above all the penetrative capacity - of the American state and capital vis a vis even the other leading capitalist states in the world today. On the basis of this critique, we go on to make the case for the need for European capitalism to be theorized within the framework of American neo-imperialism today. In this light, we critically examine various recent attempts to theorize the nature of American empire, and attempt to point the way to a more adequate theorization.

This then leads us, in the second part of this paper, to present historical and empirical evidence that challenges the presumption (constantly lurking in the varieties of capitalism approach) that the material base for the maintenance of American hegemony has eroded. That this is not in fact the case, as we shall show, does not mean that contradictions for the American imperium and neoliberal globalization do not exist. But strategic advance for the left in this context will have to entail far more than defending or extolling existing European models of capitalism. Indeed, it will require advancing, as we conclude in the final part of the paper, fundamental changes in European as well as Anglo-American class and state structures.

I. Rethinking Varieties of Capitalism in relation to Neo-Imperialism

One major strain in the varieties of capitalism literature [Evans 1997; Weiss 1998; Hirst & Thompson 1996] has attempted to counter the nostrums of neo-liberalism by extolling *the ideal of the state*, thereby reflecting a certain neo-Hegelianism on the left today. [Panitch 2002]. Proponents of this approach sometimes downplay the significance of globalization, but in any case all emphasize the continuing viability of state-led economic development and competitiveness strategies. Apart from the fact that many of the states they look to in this respect hardly qualify as progressive, there has always been an other-worldly quality to the categories of "weak" and "strong" states employed by this approach. This especially applies to the designation of the American state as "weak" solely on the basis of the limited scope of its domestic industrial and social policies, while states that are puny players in the setting of the global neo-liberal policy framework are considered "strong" on the basis of domestic economic interventions alone. This all too often ignores the role of the American state in the post-war era in reconstructing the very states considered "strong" domestically, and it occludes any clear view of the domestic and international strength of the American state as revealed through its sponsorship of the neo-liberal globalization in the subsequent era. It also ignores how Japan – once the apple of the Neo-Hegelian statists' eye - floundered through the 1990s; and it is unable to account for why the American Treasury dictated the terms of adjustment - right in the Japanese state's own regional back yard - during the East Asian crisis of 1997-98 [Panitch 2000: 5-6].

There are those in the varieties of capital school [see Hall and Soskice 2001] who put more emphasis on firms, rather than states, pointing in particular to the linkages between banks and industry and, to a lesser extent, to certain corporatist relations between unions and employers associations, as the key to the difference between European 'coordinated market economies' (CMEs) and Anglo-American 'liberal market economies' (LMEs). They thereby avoid some of the statist idealism discussed above, but it must be said that the expectation that LMEs can be brought to emulate CMEs on industrial and social policy looks suspiciously voluntarist in light of the ontological foundation of the whole approach in notions of institutional sedimentation and path-dependency. Indeed, Hall and Soskice themselves admit that actors with 'little experience of such coordination to underpin requisite common knowledge will find it difficult to develop non-market coordination'. In fact, they go so far as to suggest that emulation can only go the other way: because 'market relations do not demand the same level of common knowledge... there is no such constraint on CMEs deregulating to become more like LMEs' [Hall and Soskice 2001:62]. In light of this, it would appear that the policy implications of the 'varieties of capitalism' analysis can only relate to helping CME's adjust to neo-liberalism in a way that involves conserving the core institutional arrangements that have heretofore allegedly given them 'comparative advantage'. This has been the basic point of Albo's [1994, 1997] long-standing critique of 'progressive competitiveness'.

It is sometimes claimed that greater recognition in the Anglo-American 'liberal market economies' of the existence and success of the 'coordinated market economies' would have 'radical implications for policy making' in the former countries [Hall & Soskice 2001:vi]. But far from offering a strategy for radical change against neoliberal globalization, what is in fact being advanced here is at best a limited and defensive strategy. Trying to convince policy makers in the state and business in the Anglo-American countries to pay more attention to following the European example by improving the coordinating capacities of firms with other actors in the community, and convincing them that social policies could improve the operations of markets rather than impede them, does not amount to a radical strategy. On the contrary, to make its case, this approach adopts a mode of analysis that embraces not only the competitive criteria of success and failure of neo-classical economists, but even their categories of analysis to the extent that it is mainly oriented to demonstrating that state intervention, collective bargaining and inter-firm collaboration do *not* necessarily distort market efficiency. The categories of analysis (states, firms and markets) are the same; only their ideal values are inverted. Nor can the consequences of competitivesness in material terms be averted. As Richard Bryan has put it:

> With the rise of the competitiveness agenda as the rationale for national economic policy, there is a conceptual merger of a theoretical discourse from a microeconomic framework (the individual firm's performance in open markets) with claims of benefit in a macroeconomic framework (the national gains of competitiveness)... The notion that [benefits] accrue throughout the nation is but a hypothetical possibility, with no clear mechanisms for realization, certainly none of the conventional Keynesian mechanisms of national redistribution... A predictable policy consequence is to shift onto labor the costs involved in the

> pursuit of national competitiveness... Although the advocates of competitivess extol the possibilities of high wages associated with working for high profit companies in high productivity industries... benefits accrue only to labour only for relative productivity... for it is only productivity converted into profitability that supports wages growth. Hence the prospect is that penalties in the form of wage cuts and/or work intensification are the likely dominant outcome of global competition for most of the world's workers. National policies of competitiveness for collective gain thereby secure the complicity of labor in a policy program in which the gains are private, and the collectivism is a rhetorical construction based on statistical aggregation. [Bryan 2001:70-1]

Yet there is perhaps an even more problematic aspect of the varieties of capital approach, and it lies in the fact that it posits no relationships among national economies at all apart from competition among them. The strategic and analytic problems of the varieties of capitalism approach are rooted in how it conceives the nation state and the actors within it in relation to capitalist globalization. In this approach, globalization – and its economic expression as competitive market pressures – is merely seen as an external constraint to which states and domestic firms and social forces must adjust. The only difference with the conventional account of globalization is that the varieties of capitalism approach argues that one of the ways in which states can successfully cope is by paying special attention to adapting or restoring, under the new conditions created by globalization, the national institutional structures making for economic coordination.

What is obscured here is the extent to which globalization is a development not external to states, but internal to them. Recognition of the active role of nation states and domestic capitalist forces in constituting the more liberal international trade and financial regime associated with capitalist globalization and carrying responsibility for its expanded reproduction is hardly a new discovery [Gill 1992; Panitch 1994]. Trying to understand why and how even CME states have come to play this role cannot be left out of the analytic focus of any serious comparative political economy.

This must involve an examination of the role played by foreign capital as a social force within each nation state, as well as of the increasing transnational orientation to accumulation on the part of domestic capital. It must also not ignore the responsibility that states have increasingly taken for the ensuring that their national policies contribute to the stability of, or at least do not disrupt the functioning of, the global economy. This is what Robert Cox [1987] meant by 'the internationalization of the state'. And especially for those who take political institutions seriously, the study of the relationship of the state to globalization also needs to involve, as Cox insisted, examining the restructuring of states in terms of shifts in the hierarchy of state apparatuses away from those agencies concerned with domestic social forces and issues, such as labour or welfare departments, to those, like central banks, more directly concerned with and closely linked to the social forces and international institutions associated with globalization. Moreover, this analysis must remain open to recognizing that departments of labour and welfare often seek to retain their status amidst globalization by redefining their main role as that of developing policies to make the domestic labour force contribute more to facilitating international competitiveness.

It should be evident that reconceptualizing the state's relationship to globalization in this fashion is a very different exercise than that engaged in by those who practice the varieties of capitalism approach. It is rather strange that social scientists of a decidedly institutionalist bent should largely leave out modes of coordination (and institutional capacities for coordination) among states, let alone ones that reflect asymmetric power and that indicate *which* states and *which* capitals and *which* modes of coordination are most salient in the process of globalization. This is especially so in a world where the term imperialism, whether used positively, negatively or just descriptively to designate the global capacities of the American state is now becoming so commonplace that one finds articles on it in the Sunday *New York Times Magazine*. [Ignatieff 2002] A variety of capitalism literature that blithely ignores the global preeminence of the American state and treats the USA only as one of many 'liberal market economies' against which to contrast coordinated market economies must, in this context, be seen as impoverished.

What is needed therefore is a new approach to comparative political economy that avoids the mere epithets or sensationalist journalism so often associated with the term imperialism, yet does not shy away from contributing to a richer analysis of the world we live in by examining the diverse ways states have been involved in the constitution of both capitalist globalization and American empire, and by encouraging analysis of the way in which a wide variety of national institutional forms can be reproduced and articulated within them. Conceived in this way, such an approach can link up with the varieties of capitalism literature, but go beyond it by paying attention as well to a comparative understanding of the role capitalist states play in the reproduction of global capitalism. This must today involve attempting to comprehend the nature of the American state's preeminent role in this respect, and therefore appreciating that the role of other nation states can only be understood in the context of their relationship to the

American state and capital. But it will also be necessary to conceive this relationship as not simply a matter of external, one-way imposition. Indeed a crucial dimension of any theorization of what might be best called neo-imperialism in the era of globalization must be the explaining why the penetration by the American state and capital into other social formations has so often been welcomed as contributing to the strengthening of the host state, to the expanded reproduction of domestic economic and social relations, and to the possibility of influence on American policy-making.

At the core of this neo-imperialism is the relationship between the American state and the other developed capitalist states; it is here, not with the capitalist peripheries, that imperial penetration is densest and institutional linkages and coordination most developed. It is the implicit recognition of this that makes the varieties of capitalism literature's relative neglect of third world capitalisms plausible. Of course, this very fact means that political economy today requires a very different conception of imperialism than the classical one of inter-imperial rivalry associated with Hobson and Lenin at the beginning of the century. The notion of inter-imperial rivalry is one that the varieties of capitalism literature, unfortunately (even if unintentionally) tends to reinforce, especially when it coalesces with the competing EU/East Asia/North American regional triad literature. A new theory of imperialism, moreover, will need to overcome the limitations of classical Marxist definitions of imperialism, whose main defect, as Kautsky [1914: 908] already saw in 1914 was that 'the word is used in every which way, [so] the more we discuss and speak about it the more communication and understanding becomes weakened'. And this was a characterization that Arrighi [1994:365] could repeat, almost word for word, towards the end of the 20th century: 'What happened to the term imperialism is by the time it flourished in the early 1970s, it had come to mean everything and therefore nothing.'

It needs to be stressed, perhaps, that such an approach to theorizing neo-imperialism in comparative political economy need not be Marxist. Susan Strange's attempt to advance 'a theory of transnational empire' [1989] with Washington, D.C. as its capital was founded on the notion of structural power embedded in American state autonomy and the institutional power of multinational corporations, and she explicitly put it forward with the goal of improving, maintaining and prolonging American hegemony rather than destroying it. And so is Martin Shaw's *Theory of the Global State* [2000] put forward, seeing the 'global-Western state' centered in Washington D.C. as the best practical hope for enforcing human rights cosmopolitanism, and dismantling those authoritarian states with regional sub-imperial ambitions that are still outside the American orbit. Shaw's theoretical mentors are von Clausewitz, Mann and Giddens, and he is working with a conception of state autonomy not unlike the institutionalists of the varieties of capitalism approach. But they would do well to heed his powerful critique of 'social science as stamp collecting', which has involved comparing distinct societies and states in a manner that 'substitute[s] for understanding the relations between them and the general structures within which these comparisons might be explained'. This is as important as the case he makes against the recent turn to 'global theorizing' characterized by an 'economism and sociologism' which, even in the disciplines traditionally 'concerned with interstate and political relations [have] found it difficult to conceive of globality except as the negation of statehood and politics'. [Shaw 2000: 69]

For Shaw, the crucial turning point that laid the foundation for what is today called globalization is the replacement of the classic (imperial) nation-state after World War II by a new international state form entailing the 'unprecedented integration of many autonomous major centres of state power in the world, under US leadership'. It was on the basis of its military predominance that the American superpower reconstructed, and even strengthened, the former nation-states of Europe, while linking them together and even penetrating them through the institutions of Bretton Woods as well as NATO. This notion of 'penetration' functions in Shaw's framework not unlike the concept of 'semi-citizen' in Strange's framework, whereby those national citizens who work for American multinationals or are trained by and integrated in NATO's military structures are seen as the American empire's 'semi-citizens who walk the streets of Rio or of Bonn, of London or Madrid'. [Strange 1989: 167]. But Shaw is clearer in viewing the American state as 'a power centre' by virtue of its capacity to be 'to a significant degree inclusive and constitutive of other forms and layers of state power' (Shaw 2000:190). Shaw rightly argues that 'European integration should not be opposed to the Atlantic alliance', which was the 'essential framework' into which the former was historically 'fitted'. In terms of 'the historically central criterion of organized violence, Europe remains a secondary derivative form of state' which is 'dwarfed by the continuing transatlantic Western military political thrust led by the United States' as well as by the dominant role of particular national states within the EU. Even in the context of the implosion of the USSR and economic globalization, he argues, the 'global-Western state' is still centered in the USA, but is also now 'multiply determined by a complex, overlapping set of relations and institutions' through which 'formally distinct centres of state power are mediated by highly developed and still extending linkages of economic and cultural as well as military-political kinds' [Shaw 2000: 200-1].

Shaw unfortunately downplays the political economy of this American neo-imperialism, and especially how international financial institutions, and the US Treasury and Federal Reserve through them, set limits to the economic policy making autonomy of other states. In general, comparative political economy rooted in the Marxist tradition has been better at this, but only insofar as its practitioners have broken with the classical conceptions of imperialism [Arrighi 1978]. Exemplary in this regard was Poulantzas's [1975] understanding that the entry into Europe of American multinationals meant that a powerful new social force had been established within the European social formations with the consequence that that the European bourgeoisies – even at the height of the dollar crisis in the late 1960s and early 1970s - no longer had any interest in challenging American hegemony. This did not mean that European states were by-passed or rendered irrelevant; on the contrary, they became responsible for coordinating a more complex set of domestic class relationships, which still remained distinctively specific to each social formation. Yet Poulantzas's admirable concern to demonstrate that globalization was *not about* 'the virtual disappearance of national state power' in Europe led him to consider American capital primarily in terms of its effects on European social formations and states. He did not examine in any detail the forces within the American economy that were impelling foreign direct investment in Europe and the contradictions this represented for American capitalism. Even more crucially, he also failed to examine the modalities and mechanisms of American neo-imperialism as it was expressed in and through the apparatuses of the American state and the international institutions it dominated. Peter Gowan's recent work [1999] has done much to fill this gap (although it is arguable that the European states are treated as too passive agents in his account of the transition to neo-liberalism).

What still needs attending to, however, is a more detailed examination of the distinctive institutional make-up of American state power, and its institutional capacity to act as the global state that global capitalism needs to keep order, to manage crises, and to close contradictions among the world nation states and the diverse social forces that compose them. Whatever its other defects, Hardt and Negri's celebrated post-modernist Marxist *Empire* at least tries to conceptualize this. They argue [2000:160] that the 'decentered and expansive' form of state sovereignty embodied historically in the American state (which they call 'network power') is the basis for the 'new imperial sovereignty that has been formed', planting the seeds for 'the novelty of the structures and logics of power that order the contemporary world.' They take to task those, like Edward Said, who see 'the tactics of the great empires dismantled after the first world war being replicated by the US'. Such a perspective fails to see that 'Empire is not a weak echo of modern imperialisms but a fundamentally new form of rule.'

What is frustrating, however, is that the capacity of American forms of power to penetrate other states, which is indeed one of the most remarkable aspects of the world we now live in, is merely asserted again and again while the concrete practices of the American state and ruling class in this new era are largely undocumented. Hardt and Negri are not lacking insight into the way in which the USA used 'its hegemony as the highest point of exploitation and capitalist command' to make other countries bear the brunt of the collapse of the Bretton Woods arrangements. Nor are they wrong to insist that this involved using international agencies and treaties to effect the necessary internal change within countries to try to establish neoliberalism globally. But they fail to examine in any concreteness the contradictory and complex process of strategic global restructuring and management the American state has actually been engaged in since the 1970s. Their conception of what is still 'internal' to states, moreover, is obscured by repeated hyperbolae about 'the end of nation states', and also contradicted by their extravagant argument that 'what has changed in the passage to the imperial world ...is that this border place no longer exists.' As for how far they think Empire has reconstructed all states and the social forces within them, Hardt and Negri's claim that 'the United States and Brazil, Britain and India' today show 'no differences of nature, only differences of degree' is so under-argued as to appear absurd.

Hardt and Negri's conception of 'state right' in terms of Madisonian 'network power' is mainly useful in accounting for its ideological attractiveness, not for the concrete mechanisms and practices of state and ruling class power. Arguing that the legitimation of the new imperial order rests on its 'capacity to present force as being in the service of right and peace... to enlarge the realm of consensus that supports its own power', they note that even humanitarian supranational organizations often expect 'the United States to assume the central role in the new world order.' But when the USA through its appeal to universal values asserts its 'right to intervention' in other states, and demands that other states support or participate in such interventions as part of their own 'right and duty', the answer to the question of who defines 'right and duty' is not 'open', as Hardt and Negri constantly insist. Indeed at one point (generalizing on the basis of the Gulf War) they actually say this themselves:

> '...the United States [is] the only power able to manage international justice, *not as a function of its own national motives but in the name of global right.* Certainly, many powers have falsely claimed to act in the universal interest before, but this new role of the United States is different. Perhaps it is most accurate to say that this claim to universality may also be false, but it is false in a new way.' [Hardt and Negri 2000: 180-1]

It is our view, as we shall indicate in the second part of this paper, that the new American empire that evolved after World War Two was not dismantled in the wake of the crisis of the Golden Age in the 1970s, and the development of greater trade competitiveness and capital mobility that accompanied it, but rather has been refashioned through the era of neo-liberal globalization over the past two decades. None of this means, of course, that homogeneity of state and economic structures - or indeed the absence of divergence in many policy areas - characterizes the new imperialism. Nor is there any reason to assume that contradiction and conflict do not enter into the asymmetric power relationships within it, as they do in any other. Rather we locate those contradictions not so much in the relationships between states, as *within* states as they try to manage their internal processes of accumulation, legitimation and class struggle, and especially in the American state's ability to do this while also managing and containing the complexities of neo-imperial globalization. Assessing this, however, requires, sober and careful analysis. It is to this that we now may turn.

2. American Hegemony Beyond the Crisis of the Golden Age

The American state's ability to maintain its hegemonic authority and capacity to act on behalf of global capital is conditional on its capacity to reproduce the material base of American capital. What has often been common to both Marxian and non-Marxian analyses, whatever the analytical and political differences between them, is their belief that this capacity has been undermined, and they see this as central to the crisis that ended the post-war 'golden age' [Arrighi 1994; Petras and Morely 1992; Kennedy 1988]. Attempts at resolving the crisis – the accelerated internationalization summarized as "globalization", and the turn to social regulation through markets summarized as "neoliberalism" – are, in this perspective, generally seen as having failed, simply causing new problems and new instabilities, or postponing old ones. The American spurt in the last half of the nineties must thus have been a last hurrah, and the piercing of the bubble is a confirmation of this.

We take issue with this interpretation. It is too pat a reading of the dynamics – and dynamism - of capitalism since the seventies, and too casual a treatment of the depth of American hegemony. The American boom of the latter nineties, and therefore the current potential of the American economy, cannot be so easily dismissed. There remains an underlying strength in American capital and the American state, a strength that is the cumulative consequence of the economic and social restructuring that took place since 'the Volcker shock' over two decades ago. All this does not, of course, imply that there may not be new crises, but it does suggest that such crises must be analyzed in a new context, not as a postponed outcome of the early seventies. And it means that, whatever our moral judgment of the American-led model, our political agendas cannot rely on a protagonist in decay.

In what follows we first attempt to clarify the special historical status of the period called the golden age – the quarter century after World War Two. We then argue that the crisis of the 1970s needs to be understood as a turning point, a decade during which capitalist states and bourgeoisies stumbled through strategic confusions as well as class and international conflicts. Those theorists who see the period since that time through the lens of the 1970s - portraying the past quarter century in terms of the working out of the crisis of that began in that decade - are, we contend, wrong. We argue that a new period begins with Reaganism and Thatcherism and above all with the Volker shock applied to the American economy (and though it to the world economy) at the beginning of the 1980s. During this period, we argue, the economic as well as the ideological and military underpinnings of American imperial hegemony were reestablished.

By way of presaging our overall argument, it may be useful to begin with an even longer historical overview, which affords some perspective on why it is that establishing the post-1945 golden age as the standard – especially in defining 'crises' - sets the bar too high [Gindin & Panitch 2002]. When people point to the slower growth of the last quarter century in contrast with the previous quarter century as indicative of a capitalist crisis characterizing the whole period, we must remind ourselves that it was the earlier and not the later period that was historically unique. In fact, as Table 1 indicates, the growth of the post-73 period is rather respectable when placed within the sweep of capitalism's longer trajectory.

Tab. 1: Annual Growth in Real GDP per Capital

	U.S.	EUROPE	WORLD
1820-1870	1.34%	.95%	.53%
1870-1913	1.82%	1.32%	1.30%
1913-1950	1.61%	.76%	.91%
1950-1973	2.45%	4.08%	2.93%
1973-1998	1.99%	1.78%	1.33%
Source: Maddison, The World Economy, A Millennial Perspective,_OECD, 2001, p.265.			

In terms of our own periodization, which separates the decade of the 1970s from the two subsequent ones, what is especially worth noting is that the growth in American real GDP/capita in the period that followed the Volcker turning point (1982-2001) was 2.4% - not as high as the 3% of the booming 60's, but hardly suggesting stagnation. [Economic Report of the President 2002: Table B-31]. And though productivity growth as measured by overall output per hour declined significantly in the U.S., if we concentrate on manufacturing, where data are also more reliable, the productivity growth since 1982 is actually higher than in the golden age: annual manufacturing output per hour increased from an average of 2.6% in the period 1950-73, to 3.5% in the period 1982-2000 [U.S. Bureau of Labor Statistics 2002].

Let us now take a closer look at the twists and turns of the past half-century. The economic dimensions of the post-1945 world order did not get designated as 'globalization' until well after the economic slowdown, but the project of moving towards a seamless, single world economy was initiated at World War Two's end, in reaction to the catastrophic failure of a pre-World War One international capitalism that was fragmented into rival imperialisms and separated spheres of influence. International accumulation had actually been relatively thin within each imperial block in the pre-World War One era. The global division of labour then was largely complementary rather than competitive (manufacturing in one country and resources in another, rather than, as at present, a two-way flow of similar products), and capital flow was largely arms-length portfolio investment. From World War Two on, however, direct foreign investment with its deeper impact on economic and social structures, had a much larger role to play. The fact that the term 'globalization' did not become part of our lexicon until the late eighties/early nineties, was not because it wasn't already pervasive - international trade, production, and finance had already been growing much faster than domestic economies by the mid-sixties - but because its later combination with neoliberalism accelerated those international trends and the process seemed to take on a life of its own.

In the immediate post-war period, rebuilding economies and social relations implied a bias in the process of accumulation towards structures that emphasized the mobilization of resources. This did not set aside competitive pressures, but it did limit some of its dimensions – for example, capital markets were generally subordinated (domestically and internationally) to the needs of reconstruction. This period was, however, transitional both in its underlying goal of moving towards an international liberal order, and its inherent logic. Its successes tended to subvert its institutional foundations: the rebuilding of Europe brought American direct investment and that investment, along with the expansion of trade, undermined capital controls; capital mobility undermined pegged exchange rates; rising standards of living meant larger pools of savings and increased competition within the financial sector, just as rising inflation undermined existing forms of financial regulation and corporatist integration; steady growth raised worker expectations at the same time as the exhaustion of the singular conditions existing in the post-war years eroded the system's ability to continue to deliver economic security and rapid growth at the same pace as before.

A key economic dimension of the challenge faced by capitalism by the late 1960s and early 1970s took the form of a falling rate of profit. The well-known productivity slowdown at this time was due in large part to the growing relative size in the economy of low-productivity service sectors, which lowered average productivity growth for the economy as a whole. Manufacturing represented over 30% of U.S. non-agricultural employment in 1966; by 1978 this was under 24%, and by late 2000 it was under 14%. [U.S. Bureau of Labor Statistics 2002] But while the lower productivity rates showed up primarily in sectors outside of manufacturing (sectors which were growing in relative weight), this did not negate potential problems for accumulation within manufacturing.

Sustaining the productivity growth in manufacturing required relatively more capital inputs at the same time as worker militancy was resisting any downward pressures in wages. This led to the familiar decline in the rate of profit.

In Marxist terms [Webber & Rigby 1996; Dumenil & Levy 2003], one would see this in terms of the organic composition of capital rising while the rate of exploitation remained relatively stable, causing a decline in the rate of surplus extraction. But the debate, in this context, about whether or not the cause of falling profits lay with technical conditions of production or a profit squeeze rooted in labour's strength, is largely beside the point. Even if the 'original' cause was technical, from capital's perspective the restoration of profit rates was being frustrated by the relative strength of labour (relative, that is, to capital's capabilities and needs through the sixties and seventies).

Robert Brenner [1998; 2002] has correctly emphasized that the strength of labour, in itself, does not explain a sustained crisis. What needs illumination is why the profit-led downturn was not self-correcting through the normal process of the devaluation of a portion of capital, the consequent concentration of capital in the most dynamic firms, and the accompanying weakening of labour through this restructuring. Brenner's intriguing explanation was that increased international competition increased entry while the concentration of capital and the large sunk investments of corporations decreased exit. This led to excess capacity and a profit squeeze independent of the relative strength of labour. There are two fundamental problems with this rather elegant response. First, while Brenner is quite right to point to the limits on competition as being a condition of the crisis – that is, to restrictions on the logic of capitalist competition working itself out – he is wrong on the source of those limits. Second, Brenner incorrectly generalized the contradictions of the late 1960s and 1970s into a permanent feature of capitalism.

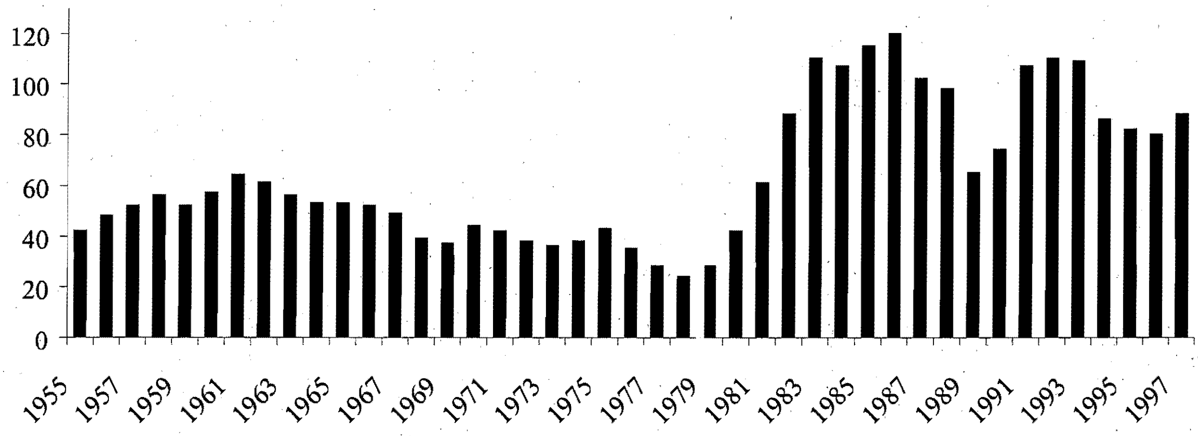
To grasp what was in fact happening we have to integrate the state into the discussion and pay special attention to the role of the American state. [Gindin 2001] With the end of the circumstances that made the golden age possible, capitalism inevitably had to confront anew the question of where its new source of vitality would come from. Because this issue emerged in the form of slower growth and intensified competition, there was some inclination on the part of national states to both extend the competitive capacity within their own social formations and limit the negative outcomes of competition domestically. No western state was really prepared to go so far with this as to impose the kind of trade and capital restrictions that would undermine international economic integration, but their initial domestic response at least blocked in the 1970s the kind of intensive restructuring of capitalism necessary for capital's revival, and it was only unblocked when the American state itself accepted the need for competitive discipline at home (expressed in the Volcker shock of 1980), and the consequent generalization of such discipline internationally, that capitalism's vigour seemed to revive.

Through the sixties and into the seventies, all states, facing pressures at home, were reluctant to let the market declare – at least to the degree necessary to resolve global excess capacity - that domestic facilities were redundant. The American state in particular was not about to let this process work itself out according to market criteria, and in the seventies it moved erratically from import surcharges to periodic bouts of economic stimulus, from supply side incentives to some degree of manipulation of exchange rates.

This was not just a matter of imperial arrogance or even a reflection of the fact that the destruction of global excess capacity would fall disproportionately on the domestic U.S. economy. It is important to recognize that for the American state the 'crisis' went beyond the immediate economics of profit rates to the more general issue of controlling and reproducing the empire. At home, the American state was confronting a civil rights movement and a youth rebellion that included sections of the working class. Abroad, it was now facing extensive trade competition from Europe and Japan and a third world restless and frustrated with its position within global capitalism. The unpopular war in Vietnam directly limited the immediate possibility of any American acceptance of, or active leadership in, the kind of economic and social restructuring necessary to restore its relative competitive strength. At that point in time, the American state was in no position to take on the risks associated with a reconstruction of its economic base.

The historic significance of the Volcker shock was that it came to grips with the American reluctance to firmly take the lead and restructure itself as well as the world order along neoliberal lines. Just as the American state initially blocked the outcome of competition and thereby reinforced the continuation of the stagnation through the seventies, the American state now reversed itself on this and – contrary to Brenner's argument - accelerated the closing of facilities after the early eighties in spite of sunk costs. In 1961 the business failure rate in the U.S. was 64 per 10,000 existing firms; this rate steadily declined and by the late seventies, it had fallen (in line with Brenner's argument) to well under half the 1961 rate. In the eighties, however, the business failure rate rose dramatically, reaching 120 by 1986 – almost double the rate at the start of the sixties (see Graph 1) and it remained well above the earlier rate right through the 1990s. This was subsequently reinforced by the further liberalization of capital movements across regions and countries.

Graph 1: FAILURE RATE OF BUSINESS (FAILURES/10,000)
Source: Economic Report of the President, 2002, Table B-96



The official intent of Volcker's money targets, the decisive event introducing neoliberalism, was to break the back of inflation, which was threatening the American financial system, the Federal Reserve's control over monetary policy, and the credibility of the American dollar. The problem was not only an American problem since the earlier move to flexible exchange rates had, by eroding pressures for internal discipline, reinforced global inflationary pressures [Volcker & Gyohten: 1992]. And as Christopher Rude [1999] has shown, in studying the institutional capacity and balance of class forces that allowed Volker to act when he did, the Federal Reserve was not so much addressing a technical problem as a political one. Behind the concern with inflation lay the need to reconstitute American capital at home and American-led restructuring globally. The solution that emerged was based on the conclusion that the crisis could only be resolved with 'more capitalism', that is by building on the structural power of capital to restructure and discipline both labour and capital.

It is important to emphasize that the passing of the golden age had also raised questions about internal (domestic) forms of accumulation and institutional arrangements in every other state, which were then compounded by the question of how to influence the reconstitution of the American-led international order. The two could not be separated: the reconstitution of American-led economic order was neither an abstraction happening 'out there', nor simply an American project occurring against other nation states. By its very nature, it included mutual problems that had emerged, through the golden age, within each of their own social formations. Although the economic gap between the United States and Europe/Japan narrowed through the fifties and sixties, no serious challenge to American hegemony was ever on the agenda. At most, the growing confidence of Europe and Japan led to hopes of renegotiating certain aspects of American dominance. This was not only because hegemony involved more than economics; nor was it only that American economic dominance remained intact, as can be seen if we look beyond trade figures and consider American leadership in technology and the relative scale and depth of American finance and foreign investment. What was central was the degree of economic, military, ideological, cultural, and state integration that had already taken place in the quarter century after the war. That integration may not have been strong enough to avoid tensions once the slowdown came, but it was strong enough to block the possibility of that tension leading to direct challenges to, or withdrawals from, the liberal world order that had been jointly constructed under American leadership.

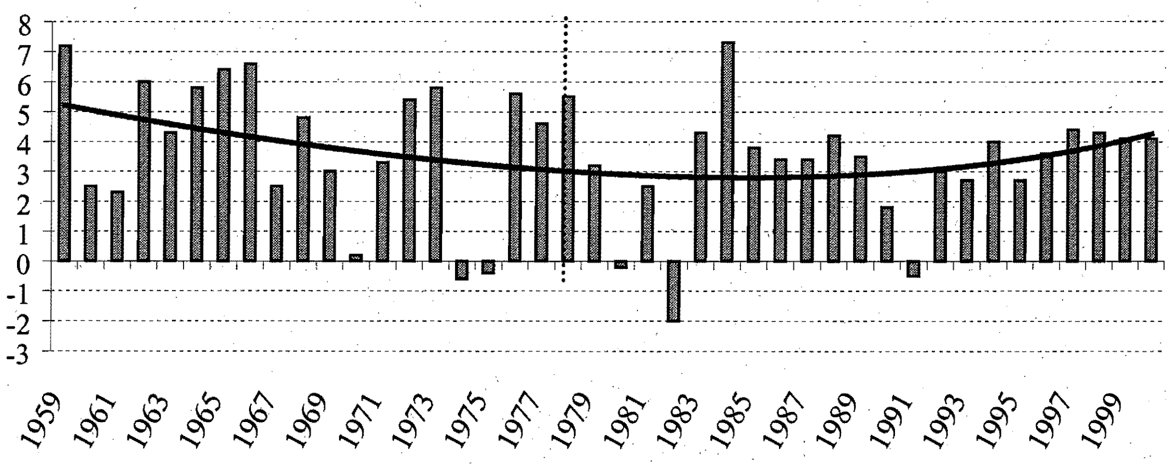
It is quite wrong therefore to see the transition to neoliberalism in terms of the Americans prevailing against (what were always quite tepid in any case) European or Japanese proposals for extending capital controls in the 1970s in the context of the crisis of Bretton Woods and the American state's delinking the dollar from gold [Helleiner 1994]. Rather, what prevailed was the emerging common understanding amongst the American, European and Japanese elites that, in the new integrated international environment already in place by the late 1960s, capital controls now implied much broader restrictions on economic activity and would have to go much further than they were prepared to have them go. For example, direct foreign investment, by then starting to flow both ways, also carried with it pressures to liberalize international finance and involved growing levels of intra-firm trade. It was on this cascading process of economic and social integration that neoliberal globalization was eventually built. This was reinforced by the project of European integration, through which the EU would become an agency of neo-liberal discipline, however much social policy and human rights were also on its agenda.

By the eighties, a two-fold project of domestic and international reconstitution evolved in all G7 states under American leadership and this created the conditions for renewed national and global accumulation. After a decade of indecisive and stumbling attempts to escape the persistent economic malaise, the new project was given coherence as neo-liberalism took the form of state-led economic restructuring oriented to removing, through the expansion and deepening of markets, democratically-imposed barriers to accumulation (earlier concessions on the part of capital that once reflected capitalism's munificence now resurfaced as problems that demanded reversal).

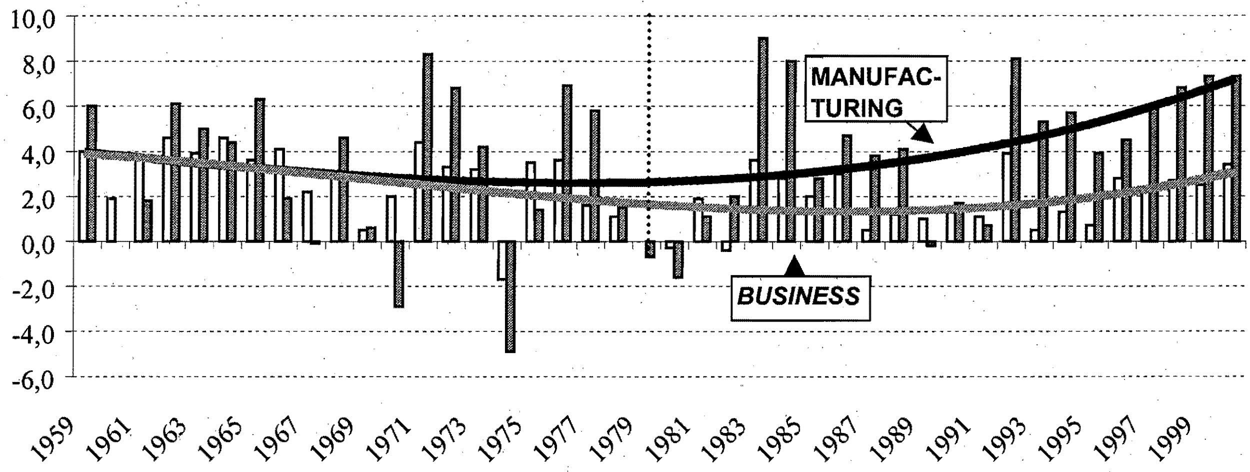
That solution was presaged by the degree of economic integration that had already taken place, and the growing influence and capacities of finance both at home and abroad. While the increased mobility of capital threatened the role of the American dollar, emphasizing the priority of investor credibility, it also represented new opportunities: the structural power of American finance could potentially contribute to mobilizing global savings for use within the U.S., and the neo-liberal emphasis on discipline could find no better friend than a section of capital ready to move where returns were highest. On this latter point, it is important to see that this was not a matter of the opposition between production and finance; with the exhaustion of Keynesianism (broadly defined) and no alternative focus for regeneration, productive capital readily accepted a new more aggressive role for finance as being functional to its own interests.

In the period after the Volcker shock, the rates of growth in GDP, profits and productivity in the USA began their slow climb back to earlier levels - and investment soon followed, albeit with a lag (see Graphs 2, 3 & 4):

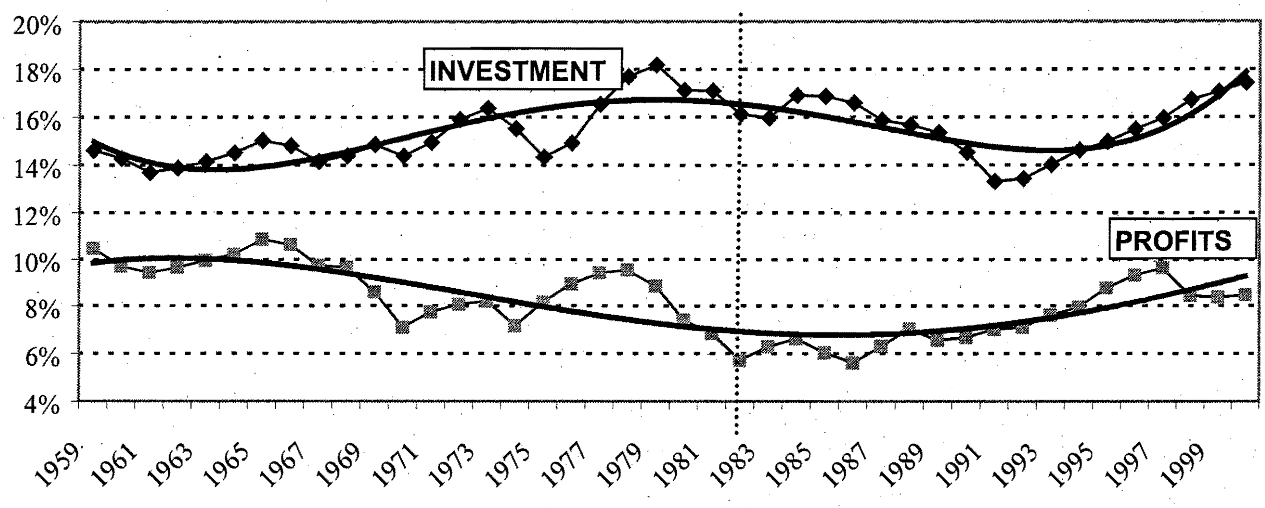
Graph 2: REAL GROWTH IN U.S. GDP
Source: Economic Report of the President, 2002, Table B-4



Graph 3: ANNUAL CHANGE IN OUTPUT/HR
Source: U.S. Bureau of Labour Statistics



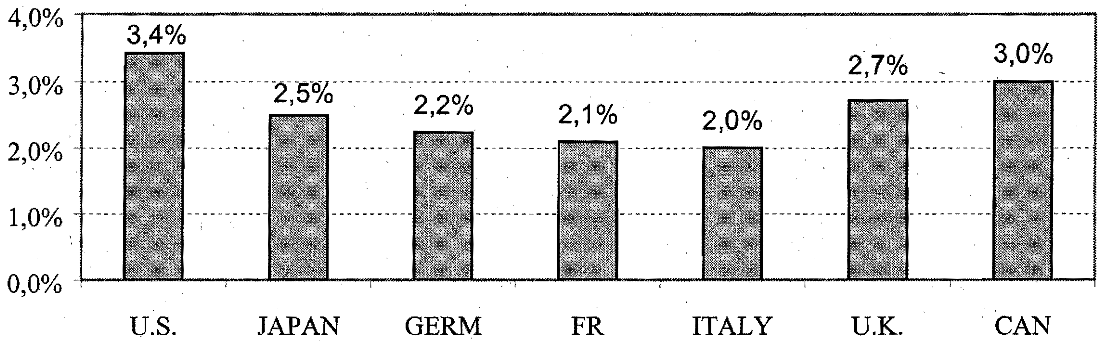
Graph 4: INVESTMENT AND PROFITS: % OF GDP
Source: Economic Report of the President,2002, Tables B-1,18,90



As neoliberalism gained in coherence and confidence, its ideology becoming more pervasive and its institutional drive more comprehensive. Labour everywhere suffered a major defeat. At the same time, the new digitalized economy brought, however unevenly and apparently irrationally, significant new technological potentials; and finance - in spite of speculative excesses and scandals - proved to be functional to real capital accumulation and economic growth. The rate of growth in the USA from 1982 to 2002 was greater than in all the other G7 countries (see Graph 5). And by the end of the nineties, the real GDP of the United States was some 20% higher than that the total of the largest dozen economies of Western Europe – a gap impressive enough compared to the approximate equality that existed in 1982, but especially striking given that the gap at the beginning of the golden age, in 1950, was only 13% (see Graph 6). For Germany, France, and Italy the gap was smaller in 1998 than it was in 1950; collectively, they were 55% behind the U.S. in 1950, narrowed this to 37% by 1982, but the gap rose back to 51% by 1998.

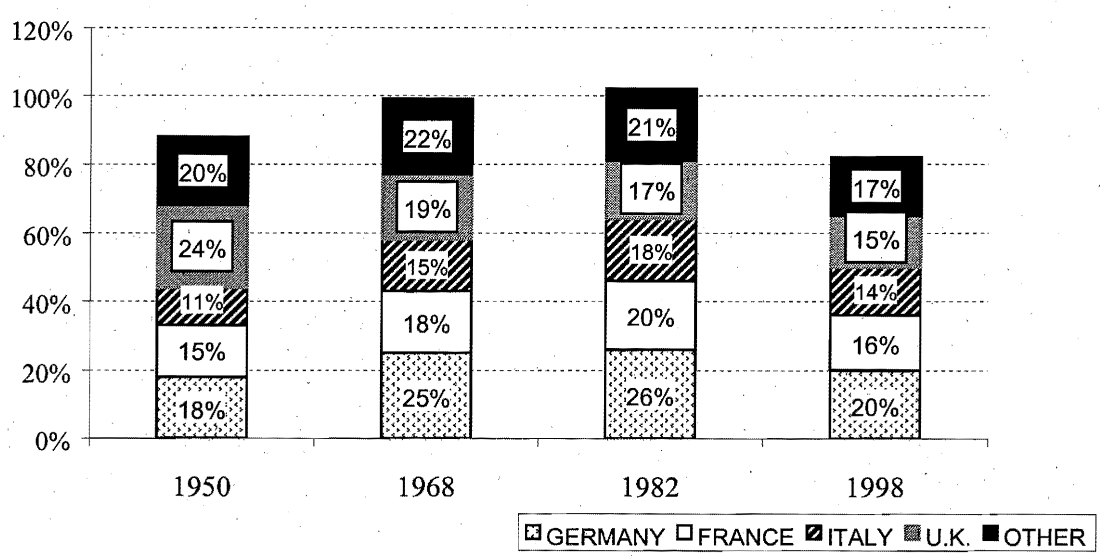
Graph 5: INTL COMPARISONS: AVERAGE GROWTH IN GDP 1983-2001

Source: Economic Report of the President, 2002, Table B-112



Graph 6: POST-WAR EUROPE (12): GDP AS % OF U.S.

Source: Maddison, 2001, pp.272-5



To be sure, the defeat of the American labour movement, crystallized in the restructuring of state agencies like the National Labour Relations Board, was reflected in the historically unprecedented stagnation in real wages: private sector hourly earnings, in 1982 dollars, were $8.40 in 1978 and only $8.00 in 2000 [U.S. Bureau of Labor Statistics 2002]. But this did not lead to a corresponding stagnation in consumption. Rather, debt dependence expanded (with all its individualizing and disciplining repercussions) and overall hours of work increased dramatically. While Europe experienced a 12% decrease in hours of work per capita in the last quarter of the twentieth century, the U.S. saw a 12% increase [Maddison 2001: 352-5] This ability to extract more labour per capita (more family members working, more hours per worker, more intensity of work per hour) was one expression of American dominance and goes a long way to explaining the increase in the U.S.-European GDP gap cited above (especially if we note that until recently, productivity as measured by GDP/hr was actually growing faster in Europe).

The recent collapse of the 'new economy' has provided ample ammunition to those originally skeptical of its hype. But leaving aside the exaggerated claims originally made for the new technology, and acknowledging the excess capacity and shady deals that were part of this, two facts remain. First of all, it was in the United States that the new technological innovations emerged rather than anywhere else, and there was everywhere a race to imitate and catch-up to the American innovations on this terrain. Even Hall and Soskice [2001: 57] recognize this American comparative advantage in explaining why companies from the 'coordinated market economies' of Europe moved to the USA 'to secure access to institutional support for radical innovation... Nissan locates design facilities in California, Deutsche Bank acquires subsidiaries in Chicago..., and German pharmaceutical firms open research labs in the United States.' Second, the significance of the new digitized technology is not confined to its own sectors. Of greater importance is its potential dissemination to other sectors (traditional sectors such as auto as well as both old and new services) and, alongside this, the potential integration of these technologies with broader managerial strategies that combine centralization and decentralization within each sector (from to design to sales, from accounting to outsourcing). To date, this potential has only been scratched.

There is a similar skepticism about the role of finance. But here again, whatever moral objections one can raise, the fact is that finance has been more than a speculative drain on the 'real' economy. It has provided needed overall liquidity at a time of 'competitive austerity' and, through the depth of American financial markets, was especially important in delivering the venture capital that accelerated the development of the new digitized technology (as well as being a source itself for the development and application of that technology). The deepening and spreading of financial markets has been crucial to managing the risk inherent in a globalized economy of flexible exchange rates – even as it itself was one cause of that risk. In its role in enforcing productive discipline, finance also reallocated capital across sectors, contributing to the process of correcting the previous decline in overall capital productivity.

The globalization of financial markets, combined with the broader structural power of the American economy, was part of the mechanism that brought global savings to the United States. This created the space for the American state to bridge its role in stabilizing the international economy (via the imports of American consumers and businesses) while strengthening the American economy as the core material base for American neo-imperialism (through the additional investments generated by the capital imports). Where trade deficits were signs of weakness and panic in the late sixties and early seventies, in the post-Volcker world - with the its renewed confidence in the political power of the American state domestically as well as internationally – we witnessed two decades of repeated trade deficits with little or no international alarm until very recently. And even the sharp and possibly unsustainable growth in the trade deficit since the latter nineties signals the relative success of the U.S. economy as much as any decline. The deficit paradoxically reflects more rapid growth in the latter nineties; the attraction of the U.S. for investors in good times and bad; and the failure of Europe and Japan to restructure fast enough to lower the American deficit through their own growth.

The last two decades of the 20th century, in short, highlighted American-led capitalism's stunning proficiency in reshaping labour markets, revolutionizing the forces of production and communication, integrating the world spatially, commodifying more aspects of daily life, and generally restructuring the world 'after its own image'. Where specific breakdowns occurred, they have thus far been impressively contained – that is, localized, limited in their duration, and so far managed to the extent that, as Peter Gowan [1999] has argued, such crises have so far become functional to demands for expanded reproduction of the global system. And all this was achieved while lowering the expectations of its citizens and containing democratic opposition to a degree most of us would never have thought possible. Can we really deny the remarkable (if objectionable) dynamism capitalism revealed?

At the beginning of the post-war era, when the American neo-imperial order was being founded, Harry Truman, in a famous speech at Baylor University, said that 'the American system can survive only if it becomes a world system' [Clayton 1993: 213-4; Jagan 1994: I]. What this meant for Europe at the time, as Donald Sassoon [1997: 207] has put it, was that 'how to achieve the European version of the American society was the real political issue of the 1950s.' So was it of the 1980s and 1990s, we would argue, and as before, remaking the world in the American image, while it did not mean homogeneity or anything like complete convergence, it *did* mean accommodation and emulation. American financial and management practices have been very widely adopted within European industrial and financial firms. [Carpenter and Jefferys 2000; Lutz, 2000] In this context, it may be noted once again that even Hall and Soskice's [2001:60-2] are forced to acknowledge that 'the internationalization of finance puts pressure on the institutions of coordinated market economies', citing one American financial and corporate practice after another in terms of their impact on German firms 'extending all the way down to production regimes'. Their assertion that the pace of change also allows German firms to 'maintain many aspects of their long-standing strategies' (the only example offered being the retention of works councils) hardly qualifies the main point.

For all the talk of America's economic problems today, the immediate stagnation in the global economy has more to do with the inability of Japan and Germany to resolve their own sluggish development – a weakness that raises anew the question of exactly what we mean by 'weak' and 'strong' states. Their limited capability to match the American economy's ability to restructure has left Europe and Japan unable to carry the weight of added international stimulus and consequently play a role in any constructive correction of the American trade deficit. Any real alternative to American capitalism on their part would mean a radical break with global capitalism and neo-imperialism – an alternative not currently on their radar screen, and inconceivable, in fact, without a fundamental change in class relations and state structures in those societies.

3. Political Conclusions

Any alternative politics cannot rely on the current tarnishing of the "American model" and the imminent decline of American hegemony (even though recessions and new instabilities will of course recur). The rejection of this model will have to be based on a collective condemnation of its relationship to human potentials even when it is doing 'well' in its own terms. Political openings and contradictions will have to be found within capitalism's strengths and 'successes' not only its weaknesses and 'crises'. Such openings/contradictions will emerge, inside the USA and elsewhere, out of the impact of globalization on domestic class relations. For example, capitalism's success in restructuring states to more closely serve the demands of global accumulation comes at the expense of the legitimation capacity of states. Where states could once promise linear material progress and democratic relevance to national political institutions, the promise of material well-being, ecological sustainability and democratic participation is increasingly hollow for large numbers of people in all countries.

Similarly, the drive to constitutionalize property rights internationally (through international agreements like NAFTA and institutions like the WTO) suffers from the social distance of international institutions and their lack of authority to legitimate such rights. This stage in the development of capitalist property rights consequently highlights and exposes – much like the original 'tragedy of the commons' - property rights as coming at the expense of popular rights. The current scandals in the U.S., reflecting an arrogance that comes with success and a system that has not yet matched new circumstances to new forms of regulation, enhances the conjunctural possibilities at least for ideologically challenging the competence and authority of those who manage what are ultimately society's resources and wealth.

To take another example, as globalization internationalizes domestic capitalist classes - in the sense of shifting their orientation towards global accumulation - this affects the relative roles of domestic classes in national economic development. In the third world, this undermines the base for domestic bourgeoisies to create the national economic coherence that is fundamental to capitalist development. While the strength of global neoliberalism comes from its pressures to restructure existing capitalist institutions (political, legal, cultural as well as economic) in the coordinated market economies of Europe and Japan into even more responsive vehicles for accumulation, it is rather ineffective when confronting the absence of such institutions in most of the world's states. Globalization consequently carries no general solution for third world development. The implications of this particular failure in the third world are, however, not self-evident; they will depend on the extent to which resistance within the third world brings this failure into the first world – either through its unmanageable impact on integrated financial markets or via the costs to the American state and its junior partners in the global-Western state having to suppress and police (and perhaps even be pushed to do something genuinely redistributive) to deal with the rebellions and reactions.

Recent tensions between Europe and the United States revolve around the role of the American state as acting on behalf of the particular interests of American capital as opposed to acting in the interests of global capital; and, in broader terms, acting as the embodiment of an all-too-often chauvinist definition of American national interests as opposed to the larger neo-imperial interest. While universal global rules therefore become essential, the American state needs and demands the flexibility vis-à-vis any rules to reproduce its hegemony and that of American capital. The line between measures necessary for that continued hegemony, as opposed to measures that are simply reflective of particular American interests is, as we see with Bush, often blurred and therefore a source of on-going international strains even with the other leading capitalist states which are junior partners in the American empire, and this provides certain openings for oppositional forces [Gowan 2002]. We should have no illusions, however, that the transformations in European class and state structure would have to be very fundamental indeed before these strains become ruptures. European bourgeoisies have even less interest and intention today of challenging American hegemony than they did in the 1970s. This is evident when the head of Bertelsman proudly and publicly proclaims that his investments in the USA should not be seen as foreign since he sees himself as 'an American with a German passport'; and it is no less evident when Daimler's take-over of Chrysler feeds back into German politics in terms of demands from its CEO that the German government restrain its criticism of the Administration's warmongering towards Iraq.

That said, it is by no means impossible that their very integration with the American imperium may lead to a domestic loss of legitimacy on the part of such bourgeoisies, and on the part of states insufficiently autonomous from them and the Americans state. And if and when this happens, the consequences are incalculable precisely because the imperium, even if it has military bases everywhere, cannot rule except with and through states. As Ellen Wood [2002: 291] has puts it:

> National states implement and enforce the global economy, and they remain the most effective means of intervening in it. This means that the state is also the point at which global capital is most vulnerable, both as a target of opposition in the dominant economies and as a lever of resistance elsewhere. It also means that now more than ever, much depends on the particular class forces embodied in the state, and that now more than ever, there is scope, as well as need, for class struggle.

This is precisely why a comparative political economy that actually *does* take institutions seriously is so badly needed if we are to really understand the state and globalization today. Of course whether one adopts a Weberian or Marxist analytic perspective will obviously have practical strategic implications, affecting how we think about state 'autonomy' as well as how we approach the issue of building the political capacities to resist or modify the main trajectories of globalization. What is clear is that the integration of capital across borders means that the strategic political issue can no longer be merely expressed as responding nationally to external competition. Since national formations now include foreign capital *inside* each state and since domestic capital is increasingly *outside*-oriented, it is vital that those oriented to progressive politics more rigorously clarify the nature of national political projects based on 'national' capital. At the same time, the fact that discrete economies and states are such an integrated part of a coherent whole means that significant change – and perhaps minor changes as well – requires developing the popular political confidence and capacities to transform the capitalist state into an alternative democratic state capable of a degree of de-linking from the neo-imperial international economic order and from the logic of competition as the arbiter of what is possible. None of this would make any sense if all differences between states have been eradicated. Not only institutional sedementation, but uneven class and economic development and contingent new institution-building will mean the continuation of difference. The point rather is that this variety remains part of the construction of the whole, and therefore incorporates the limits of that whole. The issue is not convergence *versus* divergence, but the scope for substantive variety within a global capitalist totality that is still antithetical to the full and universal development of human potentials.

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Dorothee Bohle

Imperialism, peripheral capitalism and European Unification – Some preliminary reflections[1]

Introduction

The question this paper attempts to elucidate refers to the extent to which concepts of imperialism and dependent or peripheral capitalism can contribute to understanding the European unification. Until now little conceptual work has been devoted to studying the interrelation between the capitalist dynamic which underlies EU-enlargement and the form of the emerging capitalisms in eastern Europe. On the one hand, mainstream analyses stress the positive impact of the (prospect of) EU membership which helps the central east European countries (CEECs) to develop democratic market societies, modernize and catch up with the west, and thus increases the stability of the continent. Accession negotiations themselves are commonly portrayed as negotiations among equals. Mainstream analyses thus ignore the question of the political and economic form of domination which the EU exerts upon the candidate countries (and upon the wider region).

In contrast, critical approaches often conceptualize Eastern Europe's transformation and Europeanization as "peripherisation", thus assuming a fundamental political and economic asymmetry between the EU-center and the new European periphery (Berend 1996, Gowan 2000, *Prokla* 128, 2002). The concept of periphery, however, often lacks specification. Although it is related to dependency theory and world system approach, few authors explicitly use these theoretical frameworks in analyzing the terms of Europe's unification (Neunhöfer/Schüttpelz 2002, Holman 2002). Neither are the concepts of periphery and dependent development used in the debate on enlargement embedded in "the context of the theoretical tradition that produced them" (Evans 1979: 16), namely imperialism theory.

[1] This paper was inspired by the stimulating discussions on the FEG conference on "The Emergence of a New Euro Capitalism", October 11/12 2002 in Marburg, which made me reconsider critically the conceptual tools of critical approaches to eastern Enlargement of the EU. As the present paper shows, I have only reached the preliminary stage of my task.

How to explain the absence of conceptualizing the EU expansion as imperialist and the very general way in which periphery is used even in critical approaches? This question will be taken up in the first two sections. Based on a short review of critical accounts of eastern enlargement, I will first argue that a number of elements of the enlargement strategy of the EU point to the direction of imperialist practices, and that, partly as a result of this, the features of east European capitalisms are reminiscent of earlier analyses of dependent or peripheral capitalism. The absence or vagueness of these concepts in the current debate thus cannot be explained by their irrelevance to European unification. Rather, as I will argue in the second section, what has to be considered is a shift in the terms of the debate on the development of capitalism, including its dependent variants, since the 1980s. By the late 1970s and early 1980s, the influence of dependency and imperialism theory had diminished sharply. Partly as a result of the strengthening of institutionalist, statist, and neoclassic paradigms, and partly as a conceptualization of truly novel features of recent capitalism, critical accounts of world capitalism shifted towards analyzing "globalization" rather than imperialism and dependent capitalism. The third section explores some of the repercussions of this theoretical shift from imperialism to globalization as a framework for analyzing eastern enlargement of the EU. It identifies some areas, where the conceptualization of the EU system as imperialist might contribute to a better understanding of enlargement and the new European configuration than recent critical attempts at theorizing it, and to outline elements of a research agenda for the study of Europe's unification.

1. Europeanization as Peripherisation: Critical Accounts of the Eastern Enlargement of the EU

So far the form and results of CEE's transformation and rapprochement to the EU have led a number of scholars to engage critically with the mainstream analyses of eastern enlargement. Whereas the latter stress the positive impact of the (prospect of) membership for both east and west and commonly portray accession negotiations as negotiations among equals, the former highlight the asymmetry of the relationship between the EU and its eastern neighbors, the economic development gap between east and west, and point to the self-interested agenda of the EU.

Thus a number of scholars underline the fundamental asymmetries in the relations between the EU and the east European applicant countries. Both in political and economic terms the EU is the stronger party and it uses this power to impose its requirements on the applicant countries. These countries do not have the choice to accept or reject parts of the requirements, rather they are condemned to a "take it or leave it position" (Lindstrom/Piroska 2002: 423 (3)). Accession itself is "not a matter of traditional negotiations to find a compromise between different interests, but rather ... enable one of the parties to attain a predetermined objective with the aid and under the supervision of the other." (Assemblée Nationale, quoted in Grabbe 1998: 19) A number of authors stress the "conditionality" through which the EU manages to impose its requirements on the applicant countries (Grabbe 1998, Smith 2001). Moreover, through its insistence on bilateral and differentiated treatment of each CEEC, the EU also weakens the bargaining position of the applicant countries.

Another feature stressed by critical accounts of enlargement is the limited and selective nature of East European integration. Thus, on the one hand, the EU uses its influence in the region in order to export the core of its deregulatory program. In this way it has gained important influence over the transformation and policy making in the CEE applicant countries. On the other hand, the EU has been very reluctant to extend all those policy areas towards the CEE which would make their transition and adaptation easier – such as substantial financial aid, free movement of labor, or liberalization of agricultural trade (Bohle 2002a). All in all, "according to these critics, central and eastern European state's aspiration to join the EU has resulted in an asymmetrical and dependent relationship that calls for comparisons with other 'developing states' rather than with states in the developed core" (Jacoby 2002, quoted in Lindstrom/Piroska 2002: 423 (3)).

The analogy of eastern Europe's current position in Europe to that of developing countries has informed many critical accounts of CEEC's economic performance and development over the last ten years. Partly due to the EU's call for economic reforms, CEEC have embarked on development paths which can be characterized as follows:

Trade dependency: In terms of its trade policy, the EU has laid the basis for a regional "hub and spoke structure" (Baldwin 1994), with each target state in the region relating to the others via its relationship with the western hub (see also Gowan 1995). As a consequence, the traditional regional economic patterns in eastern Europe imploded[2] and were replaced by a strong trade dependency on the EU, and especially Germany, a dependency which has resulted in increasing trade deficits (Inotai 1999: 10).

[2] The implosion of the regional economic patterns was however mostly due to the breakdown of the Comecon Regime, and the fact that CEEC shared similar structural weaknesses, which did not encourage trade among them.

Development gap: Growth forecasts for the CEEC are still precarious despite a certain stabilization. By 2001 only five out of the ten EU applicant countries had reached (more than) the level of their 1989 GDP. Moreover, several countries repeatedly experienced economic recessions during the 1990s. Thus although east European countries have managed to improve their GDP in relation to west European countries, their progress is very slow and unstable. Even more, the country with the fastest development, Poland, has also become one of the most unequal countries - in terms of income distribution - of the OECD (EBRD 2002, Kowalik 2001).

Dual development: Mostly under the influence of foreign direct investment, several east European economies experience a process of upgrading and integration into a transnational regime of accumulation. This modernized economic segment coexists with the more burdensome legacies of the old system: the ruins of heavy industry and agriculture It remains a national task to restructure these industries. Bridges between both segments of the economy still remain scarce. Rather, islands of modernization coexist with deprived regions, sectors and groups of society (Kurz/Wittke 1998, Ellingstadt 1997, Bohle 2002b).

Dominance of foreign ownership in strategic economic sectors. Since the mid 1990s the CEECs have attracted increasingly important shares of global foreign direct investment. Most of this investment is directed towards manufacturing, with multinational corporations (MNCs) often accounting for more than 50% of CEE's foreign trade. Moreover, strategically important sectors, like telecommunications, transport, or banking are often dominated by foreign ownership. Although one might argue that globalization and Europeanization diminish the significance of domestically owned strategic sectors, it is a fact that other European countries, including the southern periphery, have been much more successful in resisting the trend towards foreign ownership in these industries (Greskovits/Bohle 2001).

All in all, these accounts are fairly consistent with concepts of dependent or peripheral development and with the following definition of imperialism: "Imperialism is a system of capital accumulation based on … center capital's acquisition of control over the means of production in those [less developed, D.B.] regions, accompanied by the utilization of political and military resources[3] to protect and maintain the means of production over which control has been acquired" (Evans 1979: 16). However, whereas a number of authors characterize emerging capitalisms in eastern Europe as peripheral rather than explicitly drawing on the concepts and

[3] Although the military integration of CEE in European and Northatlantic structures is a crucial part of the European unification, in this paper I will restrict my analysis to the political and economic aspects of imperialism.

arguments rooted in the world system approach and dependency theory, they often "use this notion in a very general, undefined way". (Holman 2002: 401 (2)) They make even less references to imperialism theory when analyzing the political economy of European unification. How to explain the lack of a more systematic reference to those earlier debates?

2. From Imperialism and Dependency to Neoliberal Globalization

One of the main reasons for the exclusion of imperialism and a more substantiated notion of peripheral capitalism in the critical debate on eastern Enlargement of the EU is a shift in the terms of the debate on the development of capitalism, including its dependent variants. After the revival of imperialism theory in the 1960s and 1970s, since the 1980s this theory has lost ground to a competing intellectual agenda which focuses on the internal reasons for success or failure in peripheral countries in world economy. Partly as a result of this shifting intellectual terrain and partly as a reaction to the recent wave of internationalization in world economy, critical approaches turned towards exploring "globalization" rather than imperialism or dependency.

2.1 The revival of imperialism and the discovery of dependency

The 1960s and 1970s marked a particularly productive period in the (marxist) investigation of the relationship between the expansion of capitalism worldwide and the dependent and deformed nature of capitalism in the periphery. Theories of imperialism and dependency became complementary elements in the analysis of capitalist dynamic. The revival of the reception of classical imperialism theories (Lenin, Luxemburg, Hobson, etc.) was limited in two respects. First, these theories were mostly associated with a phase of imperialism which "involves the export of capital, competition for supplies of raw material and the growth of monopoly" (Sutcliffe 1972, cited in Palma 1978: 885). They could not account for the export of industrial capital and a more sophisticated pattern of foreign direct investment (FDI) which started to emerge after the Second World War. Second, classical theories were primarily interested in the political and economic systems of the advanced capitalist countries and their influence on international relations. They did not analyze the effects of imperialism on the peripheral countries in a systematic way (ibid.). To overcome these limitations, a number of authors started to analyze the post World War II or third phase, of imperialism. This phase has been characterized most significantly by the rise of MNCs and "involves a more complex, post-colonial dependency of the peripheral countries, in which foreign capital (international corporations), profit repatriation, adverse changes in the terms of trade (unequal exchange) all play a role in confining, distorting, or halting economic development and industrialization" (Sutcliffe 1972, cited in Palma 1978: 885).[4] The basis for an analysis in this respect was laid by Paul Baran in his essay "The Political Economy of Growth" (1968 [1957]). He provided a model of imperialism that attempted to lay out the internal logic of capitalist development in the periphery. In his analysis of class relations in the peripheries Baran showed the main consequence of imperialism was the obstruction of economic progress in dependent countries. Taking Lenin's observation of the "'solid bonds' created between foreign capital and the bourgeoisie in less developed countries" (Evans 1979: 19) as a starting point, Baran argued that none of the dominant classes in the periphery (aristocracy, money lenders, merchants and foreign capitalists) had any interest in promoting industrialization.

Baran's analysis became an important source of inspiration for dependency analyses. These analyses set out to "discover those characteristics of national societies which express external relations" (Cardoso/Faletto 1973, cited in Evans 1979: 26). Different authors stressed different external pressures and mechanisms of their internalization and came to diverse conclusions concerning the (im)possibilities of dependent development.[5] Whereas earlier dependency writing could not cope with the divergence of peripheral capitalisms, with partial successes in industrialization and development, or with changes in the imperialist system itself, later versions provided a powerful "methodology for the analysis of concrete situations of dependency" (Palma 1978: 909). This methodology consists of the following elements: 1) The world capitalist system represents the starting point for any analysis of dependent capitalism. This includes an analysis of recent developments and transformations of the world capitalist system. 2) Equally important is the study of the internal conditions of each dependent country, including their economic structures, social classes, the distribution of power in society and the role of the state. 3) The most significant feature of this methodology is its stress on the study of conc-

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[4] Poulantzas took another stance on the third phase of imperialism by analysing the reproduction of US American power *within* dependent European states. This "new" imperialism is characterized by the fact that "relations between the imperialist metropolises themselves are now being organized in termes of a structure of domination and dependence within the imperialist chain." (Poulantzas 1975, cited after Panitch 1998: 9) Primarily I am interested in the more classical imperialist relation between center and periphery, I will deal only marginally with this aspect of the new imperialism here.

[5] Thus Andre Gunder Frank (1967) stresses the significance of trade for deforming peripheral societies and denies the possibility of their development in the framework of a capitalist world market; Emmanuel (1972) underlines the unequal exchange between the center and the periphery as well as the resulting overexploitation of peripheral workers as a cause for underdevelopment. Among other authors, especially Cardoso (1972) rejected the generalization of one single mechanism for explaining (under)development in the periphery. Instead, he proposed to analyse the concrete forms in which dependency develops. Moreover, Cardoso acknowledged the possibility of dependent *development*.

rete situations of dependent development. The analysis should focus "on the elaboration of concepts capable of explaining how the general trends in capitalist expansion are transformed into specific relationship between men, classes and states..." (Palma 1978: 910). Cardoso and Faletto (1979: 140) maintain that "... there is no such a thing as a metaphysical relation of dependency between one nation and another, one state and another. Such relations are made concrete possibilities through the existence of a network of interests and interactions which link certain social groups to other social groups, certain social classes to other classes."

All in all, the debate on imperialism and dependent capitalism of the 1960s and 1970s provided marxist investigations on the relations between advanced and backward nations as well as on the internal development of backward nations themselves with powerful insights and methodological tools. Especially the research agenda of the later branch of dependency theory promised to generate new insights into the nature of imperialism, whose analysis had been "frozen" as it drew mainly on experiences of an earlier phase of world capitalist development; as well as into the investigation of concrete forms of peripheral capitalism.

By the late 1970s and early 1980s, however, the influence of dependency and imperialism theory had been pushed back. to a large extent. In light of the increasing differentiation among the peripheral countries and especially the success of the export-oriented Asian economies, theories of imperialism and dependent development seemed to lose their credibility in explaining social structures and developmental outcome in the periphery. A strong reaction emerged against the genuine contribution of the complementary couple imperialism/dependency theory, namely their conceptualization of the *interrelation* of economic expansion in the center and internal social/economic relations within the periphery. Instead, internal factors - social coalitions, institutions and the newly discovered "autonomous" “developmental” state - were made responsible for successes or failures of peripheral trajectories. On the other hand, for the "new development economy", essentially a reassertion of orthodox neoclassical economy, the success of the export-oriented Asian economies was the ultimate proof that integration into the world market is the precondition for development and catching-up.

Thus, ironically, just as international domination reasserted itself, it disappeared as a key explanatory variable of developmental thinking. Nothing could have reminded more of imperialism than the crisis management through IMF, the World Bank and the "Washington Consensus" (Williamson 1991) after the outbreak of the debt crisis in the 1980s and the consolidation of the "Dollar Wall Street Regime" (Gowan 1999) in the 1990s. However, the intellectual discourse of the day pointed towards internal factors and towards the chances world economy holds for late comers. "As often happens, theory is out of phase with reality" (Stallings 1992: 43).[6]

Partly as a result of the intellectual and institutional strengthening of institutionalists, statists, and neoclassics, who marginalized the discourse on imperialism and dependent capitalism, and partly as a conceptualization of truly novel features of recent capitalism, critical accounts shifted towards exploring "globalization" rather than imperialism and dependent capitalism.

2.2 Globalization

Although globalization is a highly contested concept, there seems to be some consensus in critical political economy about its character. Thus, on the one hand, globalization refers to the quantitative acceleration and the new quality of transnational economic activities, especially in the financial and manufacturing sectors. On the other hand, it refers to a far-reaching transformation of political processes and institutions. There is little agreement on the exact nature of this transformation. A number of authors see a widening gap between the (disembedded) economic globalization and the steering capacities of the nation state (e.g. Altvater/Mahnkopf 1996). Others focus on the transformation of the state itself (Hirsch 1995, Jessop 1994). A third group of authors remark upon the emergence and increasing power of transnational institutions, networks and classes in governing the global economy (e.g. Sklair 2000). Globalization, moreover, is inextricably linked with the rise of neoliberal ideology and practice, i.e. with the fight against the intervening state and trade unions, in order to "free" the market forces. Finally, it is associated with increasing regional and social inequality both within and among nation states.

The recently changed features of world capitalism, conceptualized as globalization, have implications how to analyze peripheral societies. Globalization seems to go hand in hand with a phase of "*postimperialism*" (Becker 1984), "in which relations of dominance and dependency between nations (the defining character of imperialism) are being relegated to secondary importance. Instead, relations of capitalist domination and exploitation are conceptualized in terms of global class relations, which transcend national class structures." (Hoogvelt 2001:

[6] For a similar more than ironic "coincidence" of theories being just pushed back from the public discourse when they would promise strong explanatory powers see also Panitch's theory of the state (1996), Wright's view on social classes (1993) and Stallings dependency theory (1992). Taken all these three articles together, they state the obvious: marxist thinking and categories were pushed in the defensive exactly at that moment when capital reasserted its (world wide) power position.

57)[7] Thus in the postimperialist phase of world capitalism, transnational enterprises are integrating the world economy, creating global class structures. States not longer play the central part in the expansion of capitalist relations. Instead, they mediate relations of exploitation without, however, contributing to them themselves (ibid). MNCs have emancipated themselves from their home countries and gain access to peripheral countries by providing an ideology which "holds that there is no innate antagonism between the global economic interests of transnational corporations and the national economic aspirations of host or home countries." (ibid.: 57).

In applying especially neo-Gramscian concepts (Cox 1983, Gill 1993) to the study of transnational relations and world order, these approaches have forcefully argued against the state-centeredness of both mainstream and marxist international relation and international political economy (IPE). These approaches, in applying Gramscian concepts to the study of transnational relations and world order, tend to stress the *consensual* side of transnational power relations (i.e. hegemony) in explaining how economic structures and ideas spread over a hierarchically organized world economy. Moreover, Gramsci's concept of civil society enables them to account for the many trans-societal linkages that have emerged in the process of globalization. Thus, according to neo-Gramscian analyses, an emergent transnational capitalist class (Sklair 2000) is more relevant to explain the recent phase (and form) of capitalist expansion than the state-capital nexus.

The latter approach has informed theoretically a number of critical accounts of the eastern enlargement of the EU. The decisive question is whether these new terms of the marxist debate are the result of a "learning process", i.e. a process of accumulation of new knowledge which reacts to novel features of world capitalism, or whether we witness a paradigm shift, which leaves some of the potential of earlier debates unexplored? In other words, the question is whether European unification really is the result of the post-imperialist phase of world capitalism and whether it is a mistake or not to ignore the remnants of imperialism in our post-imperialist age. In an attempt to at least partially answer these questions, the last section will argue that recent neo-Gramscian analyses of eastern enlargement of the EU remain unsatis-

[7] Hardt and Negri's Empire (Hardt/Negri 2000) represents a confirmation of the post-imperialism thesis. According to them, the era of imperialism is over because the world market has been created and because of the postmodern character of US power. In light of the recent shifts in US internal and foreign policies, clearly reminiscent of the national security state and old style imperialism (Hozic 2002), one might, however, ask whether this is just another case of theory "being out of phase with reality" (Stallings 1992: 43).

factory if they do not take into account some of the insights of earlier debates on imperialism and dependent capitalism.

3. Neo-Gramscian IPE and theories of imperialism as frameworks for the study of European unification

So far neo-Gramscian political economy has provided the few extant attempts at studying the interrelation between the capitalist dynamic which underlies EU enlargement and the form of emerging capitalisms in eastern Europe. Hence EU enlargement is seen as rooted in a process of neoliberal globalization, and most strongly sustained by an emerging transnational capitalist class and by supranational actors. The final aim is to strengthen Europe's competitiveness within the triad by exploiting eastern European economic capacities. The CEECs are about to become part of this project not on the basis of a prior process of domestic economic restructuring, but rather through their reformers who seek for external support for their restructuring strategies. As a result of the rapprochement to the EU, domestic social relations are subject to restructuring, which lead to a very high degree of foreign penetration in important segments of CEEC's political economy (Bieler 2002, Holman 2001, 2002, Bohle 2002b).

By applying neo-Gramscian theory to EU enlargement, new insights are gained/obtained into the broader context of the enlargement, the specific form of eastern Europe's integration and the social relations in the emerging capitalisms. However, it also has contibuted to the reproduction of certain analytical weaknesses which, although not inherent in neo-Gramscian theory, characterize a number of studies undertaken within this framework. Thus, it has been stated that neo-Gramscian analyses focus too strongly on civil society actors and tend to neglect the role of the state in capitalist reproduction (Panitch 1996). Even more, within civil society neo-Gramscian analysis tends to overemphasize the role of transnational (business) elites at the expense of other societal groups or classes (e.g. Drainville 1992).[8] Recent neo-Gramscian analyses of eastern EU Enlargement suffer from such problems in two ways. *First*, they exaggerate the relevance of the European Roundtable of Industrialists and supranational elite actors in setting the terms of the process. While the emerging transnational business elite and the European Commission are indeed central actors in the enlargement process, this fact should not lead to neglecting the role of national capitalist actors in influencing the enlargement agenda. In this context, it would indeed be helpful to draw on earlier debates on imperi-

[8] For a comprehensive discussion of the points of criticism and their validity, see Scherrer (1999).

alism in determining the way in which France, Germany, Great Britain and USA inform or resist eastern EU enlargement. The salience of inner-imperialist rivalries concerning the enlargement project has become obvious in the recent Franco-British contoversy regarding the adequate treatment of the applicant countries. On the one hand, France does its best to keep the newcomers at bay, which reflects its inability to (economically) penetrate the East as well as its concern with being excluded from the center of the EU. Britain, on the other hand, uses the applicant countries in order to push through its liberalizing and military agenda, an agenda, which is itself strongly shaped by US interests.

A closely related, but unexplored question is the role of US imperialism in shaping and constraining Europe's political, economic and military unification. Considering the insights provided by theorists of the "new imperial state" (Panitch 1998, see also footnote 4) seriously, the eastern expansion of the EU has to be placed on the complex map of an imperialist chain which combines both new and old forms of imperialism. So far few analyses of this chain habe been provided.[9] Thus instead of assuming one single transnational agenda setter the analysis would have to disentangle the overlapping and contradictory items on the transnational and national agenda for rebuilding the continent.

Second, by overemphasizing the role of transnational elites and the consensus underlying CEEC's incorporation into the European "heartland", recent critical approaches fail to take into account the broader class base of peripheral societies. Thus CEE societies are often depicted transnationally incorporated on the level of the reform elites. This elite-based consensus seems to be threatened by factors whose character, however, cannot be specified. Again, drawing on earlier debates of dependent capitalism, it would be necessary to map class relations in the CEEC more carefully to describe their international connections as well as the conflicts and contradictions inherent in them. In this context it would be interesting to ask whether the concepts of compradora, or internal bourgeoisie (see e.g. Poulantzas 1973), are useful starting points for the analysis of eastern European societies.

A *third* point of criticism of neo-Gramscian theory is that it favors political voluntarism over "hard structures". When applied to eastern enlargement, the neglect of structures is reflected in the missing research on the emerging *international division of labor*, an analysis fundamental to all imperialism/dependency framework. Indeed, neo-Gramscian analysis seems to

[9] Gowan (1999) is an exception. However, he only analyses the top of the chain, namely the US: both western and eastern European societies remain a black-box for him.

provide a framework which does not stress (structural) hierarchies the way earlier theories of imperialism and dependency did. However, the question still remains whether the post-fordist regime of accumulation with its potential for flexibility does not allow for hierarchical division of labor between the East and the West.. It still needs to be established which the industries and competencies located in the eastern part of the new Europe are and which impact they have on local development as well as in which way they inform class position and political cleavage.

The final argument in favor of accepting - old style - theories of incorporating imperialism as a means of understanding European unification is the fact that, despite globalization and post-imperialist discourse, European unification goes hand in hand with the delimitation of clear territorial borders. It is this aspect which most clearly highlights the fundamental contradiction of the new European configuration: the EU system has not been designed as an imperialist system. Within its borders it has relied on equal economic and political participation of all its members, and only acted as an imperial system in its external relations. With eastern enlargement, however, peripheral countries become integrated into the same institutional framework under the same conditions as the core countries. The coexistence of imperialist center states and peripheral dependent states within the same trans- and supranational framework might bring about some fundamental transformative effect in the EU system itself

4. Conclusion

The present paper argues that, as a result of the intellectual consolidation of non-marxist paradigms and as a reaction to truly novel features of contemporary capitalism, the importance of theories of imperialism and dependency as powerful frameworks for the study of the interrelation of economic expansion in the center and socioeconomic relations in the periphery has diminished since the 1980s. As a consequence, critical accounts of international political economy have shifted towards exploring globalization rather than imperialism and dependent capitalism. This theoretical shift is reflected in EU enlargement studies in which critical analyses mostly draw on neo-Gramscian approaches in IPE. However, the concrete form of eastern EU enlargement points in the direction of an imperialist practice. Several insights provided by earlier debates might contribute to its understanding. Rather than replacing one theoretical framework with another, this paper argues for a combination of the two frameworks in order to understand both, the ideational, elite, truly transnational and consensual features of

Europe's unification, and those features which are related to structural hierarchies, nationalist rivalries and coercion.

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Some Reflections of the Situation of the Trade Union Movement in the European Union

Introduction

Graham Taylor and Andrew Smith (2002) recently published an article entitled: "Social Partner or Social Movement? European Integration and Trade Union Renewal in Europe". The basic argument of the article may be summarised as follows: European unions have gone through a deep crisis since the end of the seventies when a process of social, economic and political transformation began. This process constituted a serious challenge to traditional forms of union strategy and identity. It resulted in a decrease in union density and power. Many of the unions reacted by seeking adaption to neoliberalism by various forms of „competitive corporatism“ and/or „concession bargaining“. Recently, however, there have been signs of a renewal of the trade union movement in Europe: the policy of „social partnership“ is opposed by new forms by new forms of radical „grassroot“ unionism and by wider (transnational) networks of resistance against neoliberalism.

In my paper I shall discuss this issue by analysing empirical evidence as well as inquiring into the nature of the relationship between new tendencies in European politics (and in the formation of „Eurocapitalism“) and forms of manifestation of the new trade union policy in the EU.

1.

A detailed discussion of the impact of the transition from Fordism to Postfordism upon European trade unions goes beyond the scope of this paper. Even though developments in different parts of Europe (for instance in the Scandinavian countries, on the one hand, the southern countries of the EU on the other hand) do not follow the same pattern, social scientists and trade union official agree that, as Richard Hyman wrote in 1992, there has been a "desaggregation of the (fordist) working class" followed by a serious defeat in class conflicts (such as the ones in Italy at the beginning of the 80s), losses of membership, less strikes, calls for reorganisation etc. (cf. Deppe 1995)[1].

Since the end of the 70s relations among class forces have changed dramatically in favour of capital. The change began with the victory of Neoliberalism and Conservatism in Britain and the US under Thatcher and Reagan administrations respectively, which spread all over Western Europe and included other countries as well. What followed was the implosion of the Soviet Union and the socialist regimes in Eastern Europe which consolidated anti-socialist, anti-collectivist and pro-capitalist forces for a whole epoch of history. Finally, the glamour of the reorganised American shareholder capitalism ("Wall-Street") during the boom of the nineties was regarded by many as a model of a new financially based formation of capitalism (Candeias / Deppe 2001). The changes which affected trade union organisation and power were caused by neoliberal government policies supporting aggressive strategies of the employers, mass unemployment and transformations in the systems of industrial relations. These changes occurred as a consequence of technological innovation and industrial decline in favour of the services sector and the "new economy" (Ferner / Hyman 1998: xi - xxvi; Waddington / Hoffmann 2001).

At the same time neoliberal hegemony was reflected by a withdrawal of the national state from the management of industrial relations and collective bargaining (deregulation, especially concerning the labour markets and centralised wage agreements). Transition from corporatist to flexible capitalism meant not only deregulation, dismantling of the national welfare state, but also - at the same time - gradual loss of relevance of wage policies. Finally, there had been a shift from the macro-level (government social and economic policies) to the micro-level of the business companies as well as a shift from demand-oriented to supply-

[1] At first sight there seemed to be an general crisis of the European trade union movement in the 80s and 90s: loss of membership, reduced capacity to mobilise workers, less strikes, less influence upon politics. More thorough analyses, however, presented /revealed a rather different picture: union decline in dramatic forms, accompanied by governments' and employers' offensives against the union only happened in the USA (since Reagan) and Britain (since Thatcher). At the same time, in northern and central Europe trade union positions proved to be quite stable. Most of them retained their „institutionally based capacities for the defense of workers interests that they had prior to the 1980s" (Golden et al. 1999: 224).

oriented economics[2]. Under the dominance of supply-oriented economics ("neoclassics") and monetarism the class compromise of the Fordist "Golden Age Period" had been suspended. Consequently, economic and fiscal government policies were no longer supposed to achieve full employment but to guarantee price stability. By accepting the "convergence criteria of the Maastricht Treaty" (1991) EU-governments implicitly accepted their subordination to this new strategy based on the interest of private and institutional owners of financial capital (shareholder-capitalism).

At the end of the 90s Martin and Ross (1999: 368) summarised the situation as follows: "European unions are under siege. Political leaders have accelerated European economic integration to create 'globalisation on one continent', rapidly lowering boundaries between national economies. Firms have sought greater flexibility, often by decentralised bargaining and redefining the issues to be bargained. Macroeconomic policy commitments have shifted from full employment to price stability. Market neoliberalism has taken over the ideological outlooks and policy orientations of political forces. These processes challenge the basic premises of European unionism. Unions have lost clout in the all-important market arena. Traditional unionist identities no longer work well. Resource supplies from politics and the state are dwindling. Unions' organisational capacities are stretched thin."

2.

Whereas unions have been weakened at the national level in general, there has been a reorientation of European unions (organised in the ETUC) at the EU-level (Waddington / Hoffmann 2001). "Modernizers" of trade union policies demanded a farewell from traditional (national) class politics and a strengthening of union politics at the EU-level (Mückenberger et al. 1996). It was the French socialist Jacques Delors who, as president of the European Commission between 1985 and 1992, integrated European unions into the projects of the Common Market and the Monetary Union by upgrading the "social dialogue" and by promising to develop a parallel strategy of economic, monetary *and* social integration, and to defend the

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[2] In Germany, for instance, unions were forced into a defensive position under the liberal-conservative government of Helmut Kohl between 1983 and 1998. Yet German unions proved to be quite strong. At the beginning of the 80s they fought - quite successfully - for the 35-hours-week (6 weeks of strike in 1984). The Kohl government did not confront the unions as Thatcher had done. In this way, despite severe membership losses especially in eastern Germany after the unification, the unions were not completely defeated. The conservative press in Britain and the USA still regards German unions - especially the IG Metall - as some kind of socialist powerhouses. The strength of German industrial unions still resides in their efficient organisation in the metallurgist industry, especially in the automobile industry, and in the role of the workers councils, dominated by unions.

European "social model" against "Americanisation". Left-wing commentators were fascinated by Delors' strategy of the "Russian Dolls" (George Ross). Introducing the "Cecchini-Report" that praised the positive economic and social effects of a completely deregulated European Common Market until 1992, Delors (1988: 10 ff.) spoke of a "silent revolution" and promised, addressing mainly the unions, a politics of social coherence and protection and extension of workers' rights in the European Community (Ziltener 1999: 180).

European unions reacted positively to these "initiatives taken by European political institutions, principally the Commission and Parliament". They provided "new incentives to European unions to re-conceptualise their strategic interests. The unions have consequently 'Europeanised' more than could be expected in the recent decade (the 90es), largely in response to what European-level policy-makers have offered them" (Martin / Ross 1999: 314). The range of activity of the ETUC in Brussels - mainly financed by the German DGB has been expanded significantly in Brussels during the 90s.

Within the "social dialogue" participation of union representatives in the process of policy making has been considerably enlarged[3]. The "social protocol" of the Maastricht Treaty of 1993, which was transferred into the Amsterdam Treaty in 1997 after the victory of New Labour in Britain, was regarded as a success for the European unions. It raised a wave of "Euro-optimism" among social and political scientist of a social democratic orientation. On the other hand, the European Works Council Directive (1993), which has so far produced a huge amount of literature and empirical research, was regarded, especially by union officials, as the first step towards building a European system of industrial relations (for a systematic analysis cf. Lee 2000).

In the meantime, the optimism of these decisions has dwindled and been replaced by realism and even disappointment. Ziltener (1999: 180 f.) concludes that Delors' strategy has failed simultaneously with the erosion of national welfare states. The role of the ETUC within the political system of the EU is not legitimised by increasing of union strength, but by coalition policy games of the Commission and/or Parliament. The Workers' Council Directive, as other directives in the field of social policy as well, is still under discussion with respect to its rele-

[3] Several political scientists consider this higher degree of participation in the process of policy-making at European level to be a reconfirmation of the democratic legitimisation of the European project as well as a contribution to its „social dimension“ by „bargained Europeanization“ (cf. Lecher et al 2001: 23 ff.). However, it seems unlikely that democracy could be redefined merely by a policy-making process with a weak democratic legitimation (with no sufficient public representation as is the case in the EU policy making process; cf. Bieling / Deppe 2001).

vance for participation, industrial democracy and workers' power. In most cases it is used as an instrument for implementing management policies in transnational (European) corporations by using „social partnership" of workers' and union representatives. There is - as far as recent research suggests (Lecher et al. 1998; Lecher et al. 1999) - no example where this institution was used as an instrument to enforce workers power against capital by negotiations or by transnational strikes. Its value consists in the exchange of information across borders which may consolidate/strengthen the position of workers and workers' councils against management in conflict situations. This is, however, a rather marginal function of the European Workers Council. Most of recent literature interprets them as institutions of a new multi-level European „competitive corporatism" which in the end might rather weaken the positions of national union and councils.

Several conclusions can be drawn at this point of the analysis. Firstly, the fact that the relevance of trade unions at the EU level has increased does not automatically entail a general upward consolidation of the European trade union movement, starting from the workplace level on to the branch and national level. *Secondly,* European legislation in the field of social policy and workers' participation, which, according to Jacques Delors, was supposed to accompany the process of economic and monetary integration, has not yet achieved its own dynamics. Even more, it seems to have come to a standstill. *Finally*, Dorothee Bohle has remarked with regard to the eastern enlargement of the EU that the future role of the EU social policy, namely to increase workers' and unions' power and create funds for social and employment policies by means of redistribution, is rather insignificant. At the same time, social polarisation between countries and regions will become stronger. Governments of the EU-15 refuse to provide more money for eastern enlargement. On the other hand, trade unions and political actors in the eastern European countries which might support the project of a "European Social Model" (Aust et al. 2000) are still rather weak due to the double pressure exercised by the transformation from socialist state ownership and planned economy to capitalist market economy, on the one hand, and of mass unemployment and poverty, on the other.

3.

After the German national elections of 1998, Europe seemed to be completely governed by social democrat governments or by coalition governments with a strong social democrat participation[4]. It was mainly discontent within the working class[5] about the results of neoliberal politics (high unemployment rates, unequal distribution of wealth and poverty, dismantling of the welfare state, flexibilisation of the labour markets, privatisation of social insurance and pension systems) which was articulated in strikes, mass demonstrations and voting behaviour. The strikes in France (1995/96) were the most important movements of this period resulting in a change of government towards a coalition of the Left (1996). The industrial working class and its unions, which were the actual losers in the process of social and political transformations since the end of the 1970s, did not play an important role in these movements. The most active fractions of the working class came from the state apparatuses while trade unions remained weak in the private services sector and the "new economy". At the same time, the interventions of the French sociologist Pierre Bourdieu, who criticised neoliberal politics and ideology („pensée unique“) and pleaded for a new (transnational) coalition of intellectuals and trade union militants for the "European Welfare State" (Bourdieu 1997; Bourdieu et al. 1997), drew attention to the possibility of a decline of neoliberal hegemony, of first steps in the reconstruction of an alternate (progressive) counter-hegemonic block. The European Left projected its far-reaching expectations onto the red-green German government whose minister of finance was Oskar Lafontaine[6]. For the moment there seemed to be a chance to co-ordinate European economic and financial policies to control financial markets and to create a "European economic government" which might combine the monetary policy of the European Central Bank with an active policy of growth and employment. The European Trade Unions had always demanded such a reorientation of economic policy in Europe breaking with the logics of monetarism and austerity politics that were induced by the convergence criteria of the

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[4] Spain was an exception In 1996 the conservative government of José Maria Aznar (PP) in 1996 put an end to the era of Felipe Gonzales' PSOE-governments that had lasted since 1982.

[5] This was also the case with sections of the middle class threatened by rationalization and new management strategies in industry as well as by the closing of careers in the states apparatuses, especially in universities and colleges (unemployment of teachers was a typical phenomenon which produced the "fear of falling" (Ehrenreich 1992) among middle class families). "Downsizing" of the American middle class has been a coninuous process in the 90s (Sylvers 2002: 91 ff.).

[6] Peter Gowan (1999: 135) asked "is there an alternative?" and went on saying "As for Blair's Labour leadership it is bought and paid for. But the new German Finance Minister, Lafontaine, is certainly different. He is a determined European Keynesian with a strong will and a political following in a political economy that is absolutely central."

Maastricht Treaty and the Stability Pact of Amsterdam still enforced by the German Kohl-Waigel-Government.

4.

Five years later, at the beginning of the new millennium, the political environment has changed completely. Social Democrats have lost their majority power again in Austria, Italy, Benelux, Norway, Denmark, Portugal and France. Recently, Sweden and Germany voted for a "left wing"/green majority which is very narrow in Germany where we have - additionally - a conservative majority in the Bundesrat. Summing up, social democratic governments, to which Tony Blair's administration formally, though not substantially, also belongs, are again in a minority position within the European Council. This implies new accents in European politics (Dräger 2002: 12) First, there has been a shift from social policies to controlling and expanding security policies. The summit of Sevilla (June 2002) reached a fast agreement on strengthening the "Fortress Europe". The new governments favour the reinforcement of elements of a repressive European statehood. The slogan of the new centre-right governments is "less Europe", but "more market", more flexibilisation and deregulation of labour markets, more privatisation in the welfare systems. This was the message of a common paper presented by Blair, Aznar and Berlusconi (Barcelona March 2002). Second, in foreign policy, the allies of the Bush-Administration, which has declared "war against terrorism" all over the world, without any time limitation, and is now making preparations for war against Iraq, besides Blair, Berlusconi, Aznar and the Dutch, are much stronger now and favour relative European autonomy and independence in order to oppose/resist globalisation, dominated economically and militarily by the USA[7].

In as far as the subject of this essay it might be asked: *why has the political landscape of the EU changed so fast and so dramatically.* Most of the new right-wing governments are not traditional centre-right governments anymore, but coalitions of neo-liberals and extreme right-wing populist forces. These express a deep crisis of democracy and the old constitutional system, like the Italian "Bonapartism à la Berlusconi", for instance. Besides, the quality

[7] At the time when I prepared this manuscript for publication, March 2003, the crisis in transatlantic relations and within the EU (including the candidates for Eastern enlargement) is quite open ("Letter of the Eight" against France, Belgium and Germany). The war against Iraq has begun, breaking international law, against the decision of the security council of the UN, causing immense damage to the civil population in the region. AT present, the consequences of this deep crisis in the structures of world politics and world order cannot be anticipated. So far this has been the most severe international crisis since the second World War.

of this transformation is underlined by the fact that the radical political Left (Rifondazione in Italy, Izqierda Unida in Spain, the Communist Party and various Trotskite groups in France and the PDS in Germany) did not really profit from the losses that the Social Democrat Parties suffered. Therefore, the answers to this question are still provisional. However, they help us to understand some of the dimensions of the trade union renewal in Western Europe and of the partial upwards revival of (grassroot) trade union militancy.

5.

Provided that the electoral victories of social democratic parties from the mid-90es to 1998 were a reflection of social discontent among lower working class and lower middle class people, *then* the defeats of centre-left government parties (especially social democratic parties) at the beginning of the 21st century must be interpreted as an expression of disappointment of these social groups with respect to the politics of governments dominated by social democrats[8].

The main contradictions of neoliberal politics which provoke discontent and social protest were: continuous mass unemployment, growth of marginalised, precarious sectors of the labour markets, informal sectors; polarisation of private wealth and poverty; relative decrease in incomes of working people; dismantling of the welfare state; decay of suburbias ("banlieus"), migration, growing rates of criminality, drugs in the streets etc. The power of the unions - in the major fields of their original politics: wage bargaining, industrial relations (workers' control and participation), welfare policies - was reduced. The moral consequences of market radicalism ("survival of the fittest"), global injustice, were criticised by the churches, the new "„anti-globalisation" movement and by left-wing segments of the Labour movement. Social democrat governments accepted the rules of capitalist globalisation - led by neoliberal ideology and politics (international institutions like WTO, WB, IMF, EU etc.; and the Washington Consensus, i.e. the "Dollar Wall Street Regime", Peter Gowan). They proposed the following two things: first, to improve the competitive position of national economy, i.e. of national capitalism, in the world markets, and, second, to combine this with a new social policy directed towards improving employment chances for discriminated groups (especially for the unemployed and the poor) re-integrating them into the official labour market as fast as possi-

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[8] Even in the recent German national election the Social Democrats lost 4,5 respectively 2,2 percent of unionized workers or non-unionized workers; Christian Democrats won 4.3 of unionized workers and 3.7 of non-unionized workers.

ble. This was the basic idea of Tony Blair's slogan "education, education, education", which had nothing in common with a defence or renewal of the classical model of the social democrat welfare state or a Keynesian employment policy.

The second contribution of social democrat governments on the European continent consisted in a renaissance of neo-corporatism (Bieling/ Deppe 1999: 280 ff.; Streeck 1999) which favoured "micro-corporatism" at the enterprise level, i.e. between management and workers' councils, and created institutions for macro-economic co-operation between government, unions and employers organisations dedicated to modernization, i.e. improving competitiveness. It also contributed to the reconstruction of the welfare state, deregulation of the labour market, and reforms in the educational sector. The political status of the unions was consolidated by these "alliances". Their leadership - at least a vast majority of the union bureaucracy - was eager to accept those offerts, after the long period of defeat and loss in organisational and political power since the late 70s. However, they had to pay a high price for it: they had to accept a wage "moratorium", the creation of a deregulated low-wage sector and the deconstruction of basic elements of the welfare state in the fields of pensions, health service and unemployment and poverty subsidies. In exchange, they expected the government to suggest employment programmes, educational reforms, guarantees for ensuring the basic structure of the national welfare systems, legal reforms to ensure workers' and unions' participation rights in the economy.

The basic strategic idea of these policies of the Third Way (or of New Labour) was to build a new "hegemonic bloc" of class forces, to reach a new class compromise, to find a new "peace formula" between capital and labour[9] under the competitive pressure of "globalisation" and after the end of socialism. The stability of this bloc was supposed to be ensured by an alliance

[9] "A new 'peace formula' between capital and labor seems to be emerging that is gradually taking the place of the post-war formula of full employment and continuous income growth at constant distribution. Instead it emphasizes the sharing of economic risk and responsibility in less predictable environments, and the joint search for 'win-win'-strategies in competitive markets" (Streeck 1999: 170). In the "Socialist Register" (1994: 81 ff.) Leo Panitch published an excellent critical study of these policies of "progressive competitiveness".

between the management of banks and transnational corporations[10] and relatively privileged ("aristocratic") fractions of the working class and their trade union representatives. Middle-class intellectuals, mainly supporters of the Greens, provided trade unions with a programme of "modernisation" which stressed the new issues of ecology, gender and democracy rather than traditional trade union topics such as wage struggles, pension policies, participation (workers' democracy) and political interventions against armament and war, right-wing extremism and fascism. "Modernisation" policies within the unions became a programme of adaption to the new class alliance framed by international Third Way Politics which proclaimed a new balance between globalisation, growth and innovation and social security.

Theses strategies, however, failed completely. Social democrat governments disappeared and had disappointed their working class electorate. Representatives of capitalist interests at enterprise and at the state level accepted "neocorporatism" only on the condition that it might improve conditions and consensus for further wage cutbacks, dismantling of the welfare state and deregulation of the labour market. The economic crises at the beginning of the 21st century again narrowed the frame for class compromise and led to a radicalisation of capitalists' criticism of social democrat governments and trade unions. The political earthquakes (shifts to the right) in most European countries showed them how to remove such governments. Union representatives could not claim a lot of impressive success in exchange for their willingness to co-operate with capital and state. Modernisation programmes proved to give no answers to increased unemployment and poverty, to the real social problems of growing parts of the working class, especially its female fractions in the private services sectors. They had no solutions to the problem of defending and/or reconstructing basic elements of the Welfare State etc. On the whole, they raised middle-class issues of the new social movements and the „Realo"-Greens, but they were not able or willing to work for a new strategic synthesis of these new issues with traditional issues of working-class policies which still count for the political strength and organisational power of the unions. The programmatic contributions of

[10] The concept referred to those fractions of European capital that regarded "corporatism" and "social partnership" as an element of the European "social model" and a decisive factor of productivity in the competition with the American and East Asian capital. At the beginning of the 90s, the American economist Lester Thurow in his "Head to Head. The Coming Economic Battle Among Japan, Europe, and America" regarded European capitalism (with Germany as its "powerhouse") as superior in respect to productivity and competitiveness. This thesis was confirmed by Michel Albert in his book "Capitalism against Capitalism". Only in the second half of the 90s - on the background of rapid growth of the American economy and especially of its stock markets, these predictions were forgotten. Now the advent of "shareholder-capitalism" was the main topic of scientific and political debate. Shareholder Capitalism itself fell into deep crisis - with many bursting bubbles - since 2001 - starting in Wall Street and spreading all over the world - opening a new cycle of economic and financial depression (cf. Brenner 2003; Gindin et al. 2003)..

these middle-class supporters were instrumentalised by tough right-wing trade union pragmatists, (in Germany, for instance, mostly members of the old, right-wing Union of Chemistry Workers and Miners) to attack and to push back left-wing positions within the unions, which were denounced as "traditionalists" or worse.

6.

To conclude, we might say that social democratic governments did not succeed to mobilise support from below by a new policy of growth and employment, by social justice and by a new approach to international politics. On the contrary, they accepted neoliberalism - austerity policies and supply-side-economics - and the laws of global capitalist competition. They accepted (at least before the Iraq war) American leadership in building a new world order, which was illustrated, for instance, by the role of the German red-green-government in the war against Jugoslavia in 1999.

Electoral defeat of social democrat governments - with a clear shift towards the extreme right - therefore is an expression of the disappointment of large sections of the underclass electorate with the social and economic consequences of social democrat government policies, accompanied by a continuous decline in the quality of formerly public, now largely privatised sectors and goods: traffic (railways), communication (postal services), health, education, social services, etc. The victories of right-wing populist parties are the result of a paradox: the social question is politicised from the right (the fascists succeeded in doing this too)[11], whereas the political Left seems to have lost competence and the trust of its traditional working class electorate[12]. This tendency is determined by at least two further factors:

- In nearly all countries a crisis of the democratic system of representation is indicated by cases of corruption of local governments, national parliament and national governments, in France the President himself. These cases of corruption have caused massive public interest augmented by the mass media which are ruled by extremely reactionary, pro-capitalist, pro-American and neoliberal owners (from Murdoch to Berlusconi) and journalists. This destroys confidence of the masses in democratic institutions and the political class. One consequence of this is a significant decline in participation in elections. This normally opens the way for

[11] Right-wing parties in Austria, Denmark, France, Italy, etc. claim to be in favour of the welfare state, but only for Austrians, Danes, Italians etc., not for immigrants.

antidemocratic populist movements denouncing democratic politics and politicians as corrupt and greedy for money and power. Such views are encouraged by news of managers of financial institutions or companies who ruined their companies and the shareholders by fraud and personal enrichment.

- The second dimension is more closely related to the significance of European integration. For many years in most EU-countries the polls ("Eurobarometer") indicated rather positive attitudes towards European politics (though many people did not really know what it meant concretely). In general, Europe and the EU were associated with growing social and economic welfare. This has considerably changed since Maastricht (the creation of the Common Market and the Monetary Union, now with the coming enlargement towards the east and south-east of Europe). Now all polls indicate a widespread suspicion of European politics which are associated with the deterioration of (personal) social and economic conditions. This change in public opinion, combined with stronger articulations of nationalism and racism, reflects the fact that neoliberal globalisation does not strengthen internationalism. Capitalist globalisation rather favours new coalitions which defend particular interests on the world market by promoting competition between enterprises, regions, nations.

This suspicion evolves from the feeling that European politics have become graduallys more important but less democratically controlled and publicly discussed. This is - at least - one element of the so-called Post-Maastricht-Crisis (Deppe/Felder 1993; Deppe 2001) which, for instance, is expressed by low participation in the European elections or the rejection of the Maastricht or the Amsterdam Treaty in national referenda (in Denmark or in Ireland). This crisis consists in a transformation of statehood within "new constitutionalism": national states transfer - especially in the field of economic, monetary and social politics - sovereignty to a) supranational institutions such as the European Central Bank, or b) to market forces. The social contradictions which are produced by deregulation and by transitional competitive pressure are, however, not the target of EU-Policies. They remain mainly within national borders but have given up essential elements and instruments of "anti-cyclical politics" on the basis of redistributive politics and Keynesianism.

[12] As "milieu studies" have shown this classical working class electorate is today a minority "milieu". The middle-class oriented and younger fractions of the electorate (wage earner) are no longer stable voters; they change their vote and do not participate in the elections regularly.

7.

When scientists and journalists speak of new tendencies within the European trade union movement or even of a "renaissance" of the European working class movement, they refer to different facts. At the beginning of the new century there is renewed interest in labour, labour markets, continuous mass unemployment, governments politics and the reactions of unions all over the world. Unions are regarded as still important and powerful actors and forces in re-establishing world order, which is the main characteristic of our epoch (Harrod/O'Brien 2002). Analyses of recent developments have shown that unions have not been weakened in all countries in the same way. Although a general trend towards weakening collective interest representation and bargaining is quite obvious, it has manifested itself differently throughout Europe. Especially in northern countries, unions became stronger. In other countries, such as Germany, conservative and liberal governments were confronted with strong resistance by the unions. In Italy, for example, unions recovered after a period of defeat and returned quite powerfully to the political arena resisting conservative plans to dismantle the Welfare State (Telljohann 1996). In France, the organisational power of the unions diminished dramatically as a result of union membership falling below 10 percent. However, unions were still able to mobilise workers and employees for massive strike movements and mass demonstrations.

Looking at the trade union landscape in Europe reveals many different images which, at the same time, reflect fragmented and various social and political experience. From countries with rather strong unions (not only in the Scandinavian countries) to countries with still quite weak unions (especially in Eastern European countries which are about to join the EU). Still, unions operate primarily in the frame of the national state and its systems of rules and institutions regulating "industrial relations" (more specifically "labour relations") and social policies. Analysis of trade union policies, like the analysis of European politics in general, needs a multi-level approach in order to include the relevance of different levels of decision-making (from the local to the European level) and in order to take into account what we know about "Europeanisation" of politics.

Obviously, the number and the intensity of strikes all over Europe has increased, ranging from wage conflicts to political conflicts about the reduction of social services and the privatisation of public services. Yet we do not dispose of systematic surveys. Therefore, we will restrict ourselves to mentioning some of these events. The British "summer of discontent" in 2002 began with a wave of strikes in the public services sector. At the same time, the influence of left-wing union representatives and critics of Tony Blair and New Labour became more intensive [13]. For the first time in 20 years, membership of the TUC unions has increased by 600,000 new members. Also for the first time, the British majority (60 %) supports the unions that opposed further privatisation of public services (Beckmann 2002).

Another example may be Italy. Here the political Left and the left-wing union suffered serious defeats after a short period of the centre-left government, as a result of the victory of Berlusconi, Fini and Bossi. The traditional Left (rooted in the PCI tradition) is still paralysed by the decline of the Great Party (in the Gramscian, antifascist tradition). The majority of the ancient communists follows a right-wing social democratic orientiation. Here it was the initiative of intellectuals and then of union leaders like Cofferrati which led to mass meetings and finally a general strike protesting against further dismantling of workers' rights and against the destruction of the legal state and democracy. At the same time, for the first time in many years, Spanish unions succeeded in organising a general strike against government plans to reduce unemployment benefits.

Another case study may be devoted to Germany. Here the red-green government elected in 1998 disappointed many expectations of the unions because the government promoted austerity policies, neglected the necessity of increasing inner demand and began to "reform" welfare policies (pensions, health care, institutions of education and science) by opening these systems to privatisation. At the same time, in a revived neo-corporatist institution like the "Alliance for Work" („Bündnis für Arbeit"), social democratic politicians and supporters favoured deregulation of the labour market and of collective bargaining by creating a low wage sector as the main "remedy" against mass unemployment. These politics caused massive protest by the majority of the unions represented by the metal workers union and the - newly founded - ver.di-union of the private and public service sectors. Even though in the election campaign of 2002 unions supported the government parties again, they organised a wave of strikes, meetings and demonstrations in the same year. Their main demand was the increase of wages, Meetings and mass demonstrations concentrated on issues of welfare policies and, to a growing extent, on the danger of war against Iraq.

This "radicalisation" of trade union politics in Germany obviously is a reaction towards growing unemployment, neoliberal government politics and, first of all, the worsening of the

[13] The 2002 the British left-wing journal „Red Pepper" published a "TUC Special" with a round-table discussion among left-wing trade union secretaries who had been elected during the past months against the old representatives of the union in favour of Blair. The title of the presentation was: "New Trade Unionism in the Making?! The editorial reads: "To run now as a Blairite (for union elections) .. is to invite defeat".

social reproduction of workers who are affected by and suffer from decreasing wages and rising costs.

The dominant feature of trade union politics is still "social partnership" and/or "competitive corporatism" which had always existed in various forms within the trade union movement. During the past decades, however, in the crisis of transition the traditional left wing of the European trade union movement, class-struggle oriented, socialist or communist, has been weakened, whereas the forces of social partnership and corporatism (especially in Germany and Austria) have been strengthened. Only two decades ago these differences between German "social partner" unions and more radical unions in other European countries clashed and prevented a common policy beyond declarations. Therefore, intensified political activity and influence of the ETCU at the EU level , financed mainly by the "rich" German unions, is one of the consequences of the consolidation of the German social partnership type of union policies within the ETCU.

On the other hand, "grassroot militancy" or radical, even "anticapitalist", class-struggle oriented politicisation of trade union activities is still a minority position of interest representation. Yet it is this position which criticises the limits of social partnership and of Euro-Corporatism, combined with the construction of transnational networks of communication and resistance against neoliberalism at the national and the European level, which has become more active and stronger within the European trade Union movement (Mathers/Taylor 2000; Taylor/Mathers 2002: 100ff.; rather sceptical, concentrating on a comparison between Britain and France: Jefferys 2000). Thus we may suppose that this new tendency within the union may be a relevant factor for a renewal of the European trade union movement by going beyond the dichotomy of "Social- Partner"- and "Social-Movement"-orientation. Even in the German unions' debate positions favouring the type of "social movement" unions have a chance to be heard (Frerichs et al. 2001). In the mass demonstrations accompanying European summits or G-8 meetings alliances between different social movements but also alliances between official trade union representatives and those of left-wing oppositions within the unions are demonstrated in public.

8.

The relevant aspect of the above-mentioned new tendencies is the fact that some of the unions have become the most important organisations and movements articulating the contradictions of the present period of transition to a new formation of capitalism Candeias/Deppe 2001).

The present period of transition is clearly characterised by the reorganisation of capitalism (in space and time), by the dominance of neoliberal politics and ideology and by unilateralism in international politics exercised by the governmennt of the USA. Unions, however, not only express the contradictions mentioned before but they also organise resistance and are open for debates on new concepts of mobilisation, organisation and an alternative programme of social and economic reproduction, a concept of radical democracy, but in a global dimensions.

I shall now briefly show where and how this type of unionism manifests itself and in which fields of activity it has already become an integral part of the new global social movement which has acquired specific characteristics and power during the time between 1999 in Seattle and the meetings of Porto Alegre in 2002/2003.

- Trade Unionists have become part of the so called "anti-globalisation" movement. American unionists together with ecologist groups, feminists and human rights activists in the Streets of Seattle in 1999 without, however, sharing a consistent common agenda[14]. They protested against capitalist globalisation having a negative impact on employment all over the world, against the neglect of human rights in many branches of Transnational Corporations in the "Third World", against ecological damages as a the consequence of industrialisation, privatisation of water and energy supply, and so on. Mass meetings and demonstrations have accompanied G-7-Summits (Genova), NATO, World Bank/IWF meetings, the Davos world economic forum etc. Everywhere union activists from many countries were among the demonstrators. In Germany, the young members of ATTAC have sought for allies among trade unions looking für support for their campaigns against privatisation (MAI, GATS) and for the Tobin-tax. This experience has inspired many reflections an "new internationalism" (Moody 1997; Waterman 1998; Mazur 2000; Harrod /O'Brien 2002: 165 ff.).
- At European level there has been no summit since Amsterdam (1997) which was not accompanied by mass meetings and demonstrations. These are called "Euro-marches", protesting against the high rate of unemployment in the European Union, against the politics of Neoliberalism and demanding a "Social Europe", a "Europe of the Workers", and not of capital. Last year in Barcelona the press wrote of over 700,000 demonstrators in the streets of the city. In Nizza more than 300,000 came together. These demonstrations reveal, first of all, disappointment with the progress of European social policy and trade union influ-

[14] On the crisis, re-organization and re-orientation of American trade unions cf. Meyer 2002.

ence at this level. This seems to be the main reason for the ETUC and its leaders to call for such protest. At the same time - and this seems to me even more important - these activities articulate a strengthened alliance between unions and others elements of the global social movements criticising global capitalism under the motto "The world cannot be a commodity". The European Social summit in Florence/Italy at the beginning of November will be an important (regional) meeting to consolidate this alliance.

- At the national level, in many European countries there have been general strikes or mass campaigns against government politics, flexibilisation of the labour market, enlarging precarious employment, dismantling of the welfare state, endangering the legal status of the unemployed, and so on. One of the central issues at the European as well as the national level is and will be the debate about the reorientation of economic, fiscal and monetary policies. Continuation of the present "austerity"-policies will necessarily hold down economic growth and increase unemployment, the costs of which will further dry out the financial resources of welfare institutions. Some economists have already sharply criticised the blindness of governments facing deflationary tendencies which already restrict the Japanese economy since more than ten years. Monetrarism will be continued in the interest of financial institutions (Shareholder-Capitalism; Dollar-Wall-Street-Regime); it has to be overcome by politics of strengthening inner demand, encouraging extensive public investment and employment policies. For the European trade union movement - beyond the ideological and political differences between right and left tendencies within it - this seems to be the most important issue of their political programmes and activities[15].
- Below the national level there have been many disputes, conflicts and strikes at the factory and branch level. In Germany, for example, there have been numerous strikes from spring to summer this year, covering many sectors from metallurgic industry to banks. Again, its a mixture of conflicts provoking union action: on the one hand, wages must increase after a long period of cutbacks. On the other hand, there is massive reduction of employment in the banking sector, a crisis in the "new economy" and the financial sectors, etc. causing frustration, anxiety and anger among the employees. At the same time, these prevent further union protest activities and function as a break against more union militancy. Intensified "grassroots" and "shop-floor" militancy will be necessary conditions of a

[15] In December 2002 the first "Memorandum" of European economists proposing "better institutions, rules and instruments for full employment and social welfare within Europe" has been published and signed by more than a hundred economists and social scientists from different European countries.

"new internationalism". Reconstruction economic and political power of the unions "at home" therefore is not incompatible with the requirements of a "new internationalism"[16].

These multi-level trade-union activities are bound together by contradictions and conflicts produced by present-day capitalism and neoliberal politics of competitive modernisation. We can conclude that segments of the international trade union movement have become the most important organisations which articulate and politicise these contradictions and conflicts. Yet, there is one serious problem which forces us back to a clear realisation of the present hegemonic situation and constellation of the relationship of class forces. At the political level, - i.e. the distribution of political power within the state and civil society where state agencies, parliament, parties, interest groups, the media (for instance TV-Talk-Shows) are the main arenas and actors - these new tendencies of national and international resistance against capitalist globalisation and neoliberal politics have not yet found an adequate political expression. Especially the old parties of the Left (social democracy, former communist parties like the DS in Italy) seem to be rather indifferent until they are not confronted with electoral success of a radical, anticapitalist Left. Positions like those of Bertinotti from Rifondazione Communista in Italy and in other left-wing political parties in Europe are still marginal within the political system at parliamentary or government level. Most politicians of former communist and socialist parties do not yet represent a coherent alternative to neoliberal politics. They rather try to continue the "Third-Way" illusions to combine competitiveness with (more) social security, which has been so clearly proved utopic by the politics of the centre-left-governments in the European Union at the end of the 20th century.

This break between social protest movements all over the world and the power structures within the political systems and state apparatuses of the developed and strong capitalist states clearly indicates that the process of "Rifondazione" of the Left, of a new global "counter-hegemonic bloc" is still in its initial phase. Considering the deep crisis of the Left during the past two and a half decades of the 20th century, which threatens even its existence, this does not come as a surprise! The really interesting and important point is connected with the new alliances between left-wing union tendencies and new social movements all over the world. The new "post-modern Prince" (Stephen Gill 2003: 211 ff.) will have to organise alliances

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16 "The evidence form Europe suggests that multinational campaigns are unlikely to be effective if divorced from a vibrant and autonomous workplace trade unionism, and a critical engagement with corporations and state agencies. Social movement unionism provides the basis for union renewal in the global context but its ultimate success will be measured by the extent to which it facilitates the (re) building of the independent political and economic power of labor" (Taylor / Mathers 2002: 106).

between very different social forces all over the world and cover a large spectrum of alternatives: from social and economic issues which are especially interesting for working class people in developed capitalist countries, to survival issues of the masses in the Third World periphery, issues of feminism and of radical renewal of democracy. Lucio Magri (2002: 412 ff.) may have been right to speak of a "new political cycle" which is still in its formation or "embryonic" phase. This phase is characterised by debates and efforts to work out the programme of a true alternative. The mass demonstrations against the warfare politics of the Bush-administration in 2002/2003 may, however, indicate that these movements have already entered a new phase of world-wide alliances for peace and multilateral co-operation outside the constraints of markets, forceful appropriation of the control of basic resources (oil) and profit-production.

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