Global Hegemony and the Structural Power of Capital

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This essay seeks to clarify, develop, and apply concepts of power and hegemony which are often latent within the literature in the field of international political economy. Clarification is vital, both for debate between rival perspectives and for attempts to go beyond them. We see power as having related material and normative, behavioral and structural dimensions. These distinctions are elaborated to help explain aspects of the changing nature of present-day capitalism, with particular reference to aspects of transformation in the 1980s and beyond.

Partly building upon Robert Cox's analysis of social forces and world orders, and Antonio Gramsci's theory of hegemony, we seek to explain some of the conditions under which a more "transnational" regime of accumulation and an associated hegemony of transnational capital might develop. Such a hegemony could never be complete because of counter-hegemonic forces and contradictory elements in the internationalization of capital. Some requirements for an alternative counter-hegemonic historic bloc are sketched, with suggestions for a research agenda.

In this essay we seek to advance the theorization and interpretation of the dynamics and contours of the emerging global political economy, and to outline an agenda for study in this field. Our perspective differs from and can be read as a critique of classical Marxism, world systems theory, public choice, and neo-realist theory.

Central to our argument is the distinction between direct and structural forms of power and their place within present-day capitalism. Through developing this contrast, in combination with Gramscian concepts—of hegemony historic bloc and the "extended" state—we seek to meet two major challenges. The first is to better integrate domestic and international levels of analysis. We think that a key to the resolution of this problem has been provided by Cox (1987). His analysis of social forces points to a more comprehensive and flexible approach to the question of

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structural change than that provided in various mechanistic "modes of economism" in the literature (Ashley, 1983). Such economism is found recently, for example, in the writings of Marxist and Public Choice theorists (e.g., Ferguson, 1984; Frey, 1984, respectively). The second challenge is related to the first: to theorize the complementary and contradictory relations between the power of states and the power of transnational capital. We aim, for example, to reconsider ideas about cooperation and conflict in the world political economy, and to sketch a new research agenda for the study of social forces at the global level. We begin by sketching aspects of Gramscian historical materialism relevant to our concerns. We then discuss the concepts of historic bloc and regime of accumulation to provide a basis for arguments concerning states, markets, and the power of capital.

Gramscian Historical Materialism

In contrast to the instrumentalism and economism of the classical Marxists, some contemporary Marxists take their inspiration from the ethical rationalism of the former leader of the Italian Communist Party, Antonio Gramsci. Gramsci's ideas are, as yet, somewhat underdeveloped in the international relations literature, but they have gained increasing attention, even among influential non-Marxists (see Keohane, 1984; Russett, 1984).  

Gramsci's (1971) concept of hegemony differs from the orthodox realist usage. The latter refers to the dominance of one state over other states and is largely a case of what we call the direct exertion of "power over," in the sense used by Max Weber. For Gramsci, hegemony was a concept used to analyze the relation of forces in a given society. A hegemonic order was one where consent, rather than coercion, primarily characterized the relations between classes and between the state and civil society. Gramsci's concept of the state is an "extended" and integral one, which reflects the fact that under certain conditions (for example, in Anglo-Saxon countries) there was often an organic fusion between state and civil society (Gramsci, 1971:12). This concept of the state contrasts with the rather narrowly defined "nightwatchman" state of liberal economists and the "interventionist" state associated with Bismarck (Gramsci, 1971:257–63).

For Gramsci, the power of the ruling class or class friction over others was partly exercised through the state. It was not simply a case of dominance through sanctions, punishments, or inducements; it also involved "intellectual and moral leadership" (Gramsci, 1971:182, 269). Hegemony was exercised within a wider social and political constellation of forces, or "historic bloc." This term refers to a historical congruence between material forces, institutions, and ideologies, or broadly to an alliance of different class forces. Thus a historic bloc was the "organic" link between political and civil society (Gramsci, 1971:366). A successful bloc was politically organized around a set of hegemonic ideas, sometimes called the "dominant ideology." For a new historic bloc to emerge, its key elements must engage in "conscious planned struggle." This was not simply an issue of "capturing" the state. Any new historic bloc must have not only power within the civil society and economy but also persuasive ideas and arguments (involving what Gramsci called the "ethico-political" level) which build on and catalyze its political networks and organization. The catalyst is provided by "an appropriate political initiative [which] is always necessary to liberate the economic thrust from the dead weight of traditional policies [and ideas]—i.e., to change the political direction of certain forces which

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1 Our interpretation of Gramsci has been influenced by Showstack-Sassoon (1980), Larrain (1988), and Cox (1983).
have to be absorbed if a new, homogeneous politico-economic historical bloc, without internal contradictions, is to be successfully formed" (Gramscı, 1971:168).

This aspect of Gramscı's thought provides inspiration for this essay because it has potentially far-reaching implications for a new approach to the study of international relations, as Cox (1983) has demonstrated. It implies the necessity of considering global structural change and world orders in terms of the dynamics and dialectics of their normative (ethical, ideological, practical) as well as their material dimensions. However, Cox's pioneering work leaves much to be done. His recent book involves the elaborate categorization of historical forms of productive relations, forms of state, and world order (Cox, 1987:ix). In two concluding chapters he does reflect on mutations in the social structure of accumulation and the formation of historic blocs, since it is the first of a four-volume work called Power and Production written in conjunction with Jeffrey Harrod (1987).

Our contribution here mainly concerns the theory of power. We assume that theories of power and hegemony must subsume both normative and material, structural and existential (behavioral) dimensions of social relations. Part of the richness of Gramscı's concepts is that they combine these elements and thereby offer clues for overcoming the gulf between structure and agency. We believe a possible key to the resolution of the structure-action problem in social theory in general, and international relations theory in particular, may be in the development of mediating concepts such as structural power and historic bloc.²

**Historic Blocs and Regimes of Accumulation**

Some recent writers have suggested that capitalism is entering into a transnational stage, which differs in significant respects from the imperialist (national capitalist) stage analyzed by classical marxists (see Brewer, 1980:79–130). Applying Gramscı's ideas internationally, and to this particular stage, Cox (1987:355–98) has demonstrated that it is possible to conceive of hegemony and the formation of historic blocs on a world scale. It can then be theorized what role such blocs might play in promoting broad changes in the process of capitalist development. This includes shifts from one type of social structure of accumulation to another within the broader confines of a particular mode of production (Cox, 1987:17–34; 309–53). Cox's concept of social structure of accumulation is paralleled by that of a regime of accumulation, used by the French regulationist school (Noel, 1987; Jessop, 1988). We assume that such a regime involves class and intra-class relations, including the mode of life and composition of the labor force, its political organization, the labor process (in its technical, organizational and human aspects), and legal regulation of work. It also involves "forms of regulation" concerning the scope of markets and the freedom of enterprise at both national and global levels. A regime, therefore, broadly encompasses the forms of socio-economic reproduction which together constitute the conditions of existence of economic development in a particular historical period or epoch. As such there may be different regimes of accumulation (e.g., capitalist or "existing socialism") coexisting at any point in time.

De Vroey (1984) sketches out two dominant regimes of accumulation which have characterized modern capitalism. The first, "extensive regime" (roughly encompassing the first three-quarters of the nineteenth century), was associated with relatively competitive industrial structures and less capital-intensive forms of pro-

duction than in the later, “intensive regime,” which more fully emerged in the twentieth century. The first regime was associated with a rather narrow domain of state intervention and, to a certain extent, a doctrine of economic liberalism. Moreover, political democracy and workers’ organizations were very underdeveloped. The second and somewhat more democratic regime was characterized by more capital-intensive, mass production systems and a gradual rise in real wages. It was accompanied by wide-ranging state intervention, especially in monetary and macroeconomic management, and by the promotion of education, training, research, and development. It was also associated with the widespread growth of trade unionism, left-wing political parties, corporatist planning, and the consolidation of the welfare state. Charles Maier (1988) has called this complex of policies and class compromises the “politics of productivity.” At the international level, these two regimes of accumulation coincided, respectively, with a period of British hegemony and the Gold Standard, and after 1945 with American globalism and the Bretton Woods system.

What were the key international elements in the post-1945 regime of accumulation which generated uniquely rapid economic growth throughout the industrialized capitalist world? We would suggest at least four. The first was the construction of a U.S.-centered economic, security, and political structure for the non-communist world, ensuring peaceful conditions at the capitalist core (in sharp contrast to the 1914–45 years). The second element, closely related to the first, was the ability of the U.S. to maintain the growth of global aggregate demand through its balance of payments deficits, partly generated by heavy overseas military expenditures. The third element was the substantial congruence of ideas, institutions, and policies among the leading capitalist nations, in a system of “embedded liberalism” (Ruggie, 1982). This involved the emergence and consolidation of ideology of the “mixed economy,” which, along with the rise of the Cold War, was important in the reconstitution (or creation) of the legitimacy of the liberal-democratic form of rule in the West and in Japan. A fourth element was the cheap and plentiful supply of raw materials, especially oil.

Cementing this order was what we term a new international historic bloc of social forces, centered in the United States. This bloc originated in the outward expansion of the social forces associated with what Tom Ferguson has called an American “multinational bloc.” The leading elements in this constellation sought to internationalize New Deal principles and associated forms of capital-intensive, mass-consumption accumulation, and to extend opportunities for exports and foreign direct investment in manufacturing and extractive industries, notably in oil. The multinational bloc also encompassed financial interests on Wall Street which sought wider investment opportunities overseas and a more comprehensive international role for the dollar (Ferguson, 1984). However, this bloc brought together not only fractions of productive and financial capital but also elements in the state apparatuses, centrist political parties, and non-communist organized labor in the major capitalist nations. Forces associated with the multinational bloc in the U.S. were able to forge links consciously with counterparts in Europe to form a concept of a transatlantic political community. This became the political core of the international historic bloc (Van der Pijl, 1984; Gill, 1989).

What needs to be emphasized here, therefore, is that the concept of an international historic bloc means much more than an alliance of capitalist interests across national boundaries. It implies that elements of more than one class were involved, and its basis was more organic and rooted in material and normative structures of society, that is, “in the governmental and social institutions and civil societies of a number of countries, including weak states . . . [Hence] the alliance of social forces
it comprises is seen as ‘natural’ and legitimate by most of its members (Gill, 1986:211).

Viewed from this perspective, the post-war mix of social democracy and the mixed economy incorporated a range of class interests which sustained the emerging liberal international economic order. This maintained its coherence and continuity for approximately twenty-five years after 1945, although the appearance of continuity in this period can be considered to be deceptive, since certain contradictory forces were at work which would, in the long-term, erode the basis of the regime of accumulation and the integral nature of the associated international historic bloc. Examples of such forces were the growing knowledge-intensity of production and organizational systems and the related gradual rise in the importance of transnational capital, especially financial capital, highlighted in the growth of the Euromarkets since the 1960s. At the same time, the scale and scope of welfare expenditures was also growing, as were state expenditures as a proportion of GNP.

In a structural sense, what was occurring in the post-war period was the emergence of a globally integrated economy while political regulation at the domestic level was becoming ever more comprehensive. We discuss this transformation below in terms of the simultaneous and—in some ways—contradictory growth in the power of both states and markets.

States, Markets and the Power of Capital

Both markets and states long preceded industrial capitalism, but the latter was historically associated with the growth of integrated capital markets. While Marxist writers have typically stressed the emergence of wage labor markets as a defining feature of capitalism, we suggest that the emergence of elaborate capital markets is at least as important. Markets historically have required some form of political organization and protection, normally provided by the state. By the same token, governmental institutions require finance, which creates an added interest in both facilitating and regulating markets, for example to obtain taxes. However, extensive regulations and restrictions often lower profits and breed forms of evasion (such as smuggling, black markets, and financial “innovation”). The incentive for capital to evade controls is greater if national regulations vary, especially if technical obstacles in transport and communications are reduced—that is, as capital becomes more mobile. The growth in the Euro-markets since the 1960s is an important example of this, one which we relate below to the structural power of capital. Just as capital seeks the most propitious conditions for investment, states compete to attract capital and direct investment. Under the recessionary conditions of the 1980s, this gave rise to competitive deregulation of different national capital markets. Competitive deregulation is a misnomer, however, since it accompanied attempts to redefine market rules under new conditions. Most important, however, the process progressively reduced the barriers to the international mobility of financial capital, creating a more integrated and global capital market.

In this sense, there is an evolving dialectical relationship between the nature and scope of markets and the forms of state regulation, especially as knowledge, technology, and transportation change. The dialectic involves both domestic and international dimensions of state activity, which seek to reconcile the potentially global reach of economic activity with the socially and territorially specific aspects of political rule. Political rule is circumscribed by the problems of legitimation, mobilization, and communication in political time and space. Thus, capital as a social relation depends on the power of the state to define, shape, and participate in a regime of accumulation. By capital as a social relation we mean the contrast between those with a
substantial or even privileged ownership, control, or access to both financial and physical assets, in contrast to the bulk of the remainder of society (most of labor and their dependents).

The form of different regimes of accumulation provides the wider context for our discussion of contemporary state-capital relations and the question of the structural power of markets. We will argue that the widening of the scope of the market in the 1980s and probably during the 1990s, along with certain changes in technology and communications, contributes to the rising structural power of internationally mobile capital. By contrast, the state as an institutional and social entity also creates the possibility for the limitation of such structural power, partly because of the political goods and services which it supplies to capitalists and the institutional autonomy it possesses. The stance of the state towards freedom of enterprise, in a given regime of accumulation, is at the heart of this issue.

At the domestic level, the distinction between direct and structural forms of the power of capital or of “business” has already been well developed (see note 2). Direct aspects of business power and influence relative to labor, include its financial resources, expertise, contacts with government, and control over much of the media. Business has a privileged ability to influence government, for example through lobbying. Moreover, in oligopolistic industries large firms possess some market power over prices and perhaps wages, in contrast to highly competitive markets where both buyers and sellers are subject to the power of the market—as in highly-competitive financial markets (in which governments borrow regularly). In this type of conceptualization, much of it inspired by Lindblom (1977), business (and capital) is viewed as a type of privileged vested interest in a more or less pluralist (polyarchical) political system. By contrast, Marxists associate business with capital as a class. As such, analysis of its power implies a deeper, socio-structural dimension inherent in the capitalist system. Nonetheless, the power of capital in general needs to be distinguished from the power and influence of particular fractions of capital.

Here our chief concern is to analyze the power of those fractions of capital which are both large in scale and internationally mobile. This category includes both some fractions of “productive capital” in manufacturing and extraction and “financial capital,” such as in banking, insurance, and stockbroking. The power of capital in general partly rests upon the degree of division between different fractions of capital, or what Lindblom would call different sections of business. At the same time, of course, competitive pressure may mean that cooperation between capitalists within different fractions is difficult or even impossible to achieve. Nonetheless, in analysis of the conflicts and divisions which divide capitalists, the concept of power is a behavioral one. Thus the focus is on the way a given group of capitalists seeks to exert direct power and influence over others or the state apparatus. While this dimension is essential, it needs to be combined with an investigation of structural power. Indeed, the more striking the divisions within its ranks, the more crucial the structural aspect of capital’s power becomes.

This structural aspect of power is associated with both material and normative dimensions of society, such as market structures and the role of ideology, which may or may not be mutually reinforcing. The tenacity of normative structures is illustrated by how, in modern economies, consistently higher priority is given to economic growth relative to other goals, such as conservation. Another illustration concerns the assumptions and claims made about the conditions for the achievement of growth. With respect to capitalist economies, Lindblom (1977:170–88) suggests that businesspeople are able to claim an expertise of public value, partly because there is widespread acceptance of the view that economic growth is fundamentally dependent on investment and innovation by private enterprise.
Acceptance of these assumptions and claims by politicians and the public means that governments have to be concerned with the cultivation of an appropriate “business climate,” or else investment might be postponed and a recession might be precipitated. An elected socialist party with a radical program would therefore be constrained in its policy choices by the nature of the “business climate,” not least because it would need tax revenue and/or loans to finance its ambitious spending plans. An assumption behind these arguments is that there is a market for capital, enterprise, and inventiveness, and the supply of these will be reduced by higher taxation. Indeed, such arguments are the essence of the so-called “supply-side” economics which became influential in the U.S. in the 1980s.4

There is a striking contrast between the ability of capital and of labor to shape policy in the long term under capitalist conditions. Whereas an “investment strike” by business may occur spontaneously if the business climate deteriorates, labor, in order to exert corresponding influence, would have to directly organize a wide-ranging or even general strike. An investment strike is a case of structural power uniquely available to business. This power works primarily through the market mechanism in capitalist economies. Whereas a reduced willingness to invest for productive purposes usually comes about gradually, the supply of finance to governments through the purchase of government bonds and bills may decline very rapidly. This might result in the government being unable to finance its current activity without resorting to monetary inflation. Such inflation would, from the point of view of business, cause the investment climate to deteriorate further, prolonging the investment strike. Thus capital, and particularly the financial fractions of capital, may have the power to indirectly discipline the state. Insofar as many of the top financiers have access to government leaders, this indirect power may be supplemented by direct power, such as lobbying and “gentlemanly” arm-twisting. However, such arm-twisting is secondary to the power of markets, notably the financial markets. This power constrains the participants in the market, including the government when it needs to raise finance.

Some of the points made above fit in with the notion of a hegemonic ideology which serves the class interests of capital relative to those of labor. At the heart of this notion are the ideas that private property and accumulation are sacrosanct, and that without the private sector growth would be endangered. A specific case of the force of such ideas is the way in which monetarist ideas about the need to control inflation became widely accepted and embodied in deflationary policies in the Western countries during the late 1970s and 1980s. This commitment was reflected, for example, in discussions during and communiqués of the seven-power economic summits (Putnam and Bayne, 1984). The late 1970s was, of course, before conservative governments were in power in most of the summit nations. Nonetheless, monetary targets rapidly became commonplace, mandating “discipline” in goods and labor markets. Either wages had to be restrained, or, according to the logic of these policies, workers would “price themselves out of jobs.”

In Britain, Thatcherism has involved not just a change in policies but a conscious effort to change ideas and expectations about the appropriate role of government, the importance of private enterprise, and the virtues of markets. The aim has been to convince voters that “there is no alternative” to Thatcherism if they wish to grow steadily more prosperous. It can thus be argued that a Gramscian form of hegemony

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3 Kalecki (1943) highlighted business confidence and the wider business climate in the short- and long-term. Substantial Public Choice literature exists on the political business cycle (e.g., Alesina and Sachs, 1988) which, however, generally lacks Kalecki’s appreciation of the structural requirements of the capitalist system.

favoring capital was being reconstructed. However, this polarized labor-capital analysis can itself be criticized as over-simplified, particularly as it fails to distinguish between transnational and national fractions of capital.

The Behavioral Power of Capital: The Global Level

Given the rise of transnational corporations (TNCs) and of international capital mobility, monetary and information flows, and communications links, a global analysis of the power of capital is essential (Gill and Law, 1988). This need takes on added urgency in view of the conclusions of the most recent United Nations study:

Despite a considerable slow-down in world economic growth and an increased instability in key economic parameters, the process of transnationalization has maintained a steady pace over the past decade. But there have been significant changes in its nature.

The most remarkable changes are: the rise of Japan and the West European countries as the major home countries; the emergence of the United States as a major host country, partly at the expense of the developing countries; a rapid growth of small and medium-sized TNCs; widespread technological and organizational transformations of TNCs; the emergence of corporate clusters or galaxies.; a significant reduction in the role of transnational banks in international financial intermediation, and a dramatic upsurge of the share of services in FDI (United Nations, 1988:50).

Within this context few writers have attempted to develop a wide-ranging concept of the power of capital which takes such forces into account. Realist analysis is backward here, although some writers on interdependence (e.g., Keohane and Nye, 1977) have shown an awareness of international capital mobility. Neo-classical economists have examined the bargaining power of transnational corporations, and the determinants and policy consequences of short-term capital flows, but they have neglected the institutional and ideological aspects of power. This shortcoming also applies to many Marxists (e.g., Radice, 1975).

With respect to direct, behavioral forms of power, while Lindblom has distinguished between authority (associated with governments) and markets (associated with private enterprise) at the national level, it is also the case that transnational corporations exert authority across national boundaries when they allocate resources internationally. Corporate headquarters often decides on the geographical location of production. Transnationals make investment decisions on a global scale, shifting funds from one country to another. Certain subsidiaries are kept from exporting their production, since others are allocated that function. Different subsidiaries engage in intra-firm trading at “transfer” rather than “arms length” prices. This means that, to some extent, the output of their subsidiaries (which may be vast, and

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5 Intellects influencing Thaterite policies were F. A. von Hayek and Milton Friedman. Institutions active in disseminating liberal economic and social ideas were the Mont Pèlerin Society (founded in 1947 by Hayek), the (British) Institute of Economic Affairs (1955), the British Centre for Policy Studies (CPS) (1974), and the Adam Smith Institute (1977). The 1986 President of the (American) Heritage Foundation, Edwin J. Feulner, Jr., was also Treasurer of the Mont Pèlerin Society (Overbeker, 1987:184). On conscious advocacy of these ideas see Seldon et al. (1981). A former Thatcher advisor, Sir Alfred Sherman, has defined the purpose of CPS as follows: “Our object is to reshape the climate of opinion. The Centre proposes to fight vigorously on this front of the battle of ideas” (cited in Overbeker, 1987:185).

6 A skeptical and contrasting view is offered by Gordon (1988). Nevertheless, TNCs loom large in the world economy. The largest fifty-six TNCs have sales between $10 and $100 billion. Thirty-three TNCs from developing countries have sales in excess of one billion dollars. The largest six hundred industrials account for between 20 and 25 percent of value added in the production of goods in non-communist countries. Their role as importers and exporters is even greater (United Nations, 1988:2).
collectively perhaps greater than the GNP of many countries) is taken out of the market-place and allocated, in Lindblom's terms "authoritatively," within a single transnational firm. This implies that it is allocated consciously and politically. A dramatic instance of this intra-firm power is when a factory is opened in one country at the same time that one performing the same functions is closed or not built in another. Of course, the scope for the use of this type of power is constrained by political pressures and competition from other firms. The fewer the number of competitors, the less the constraints are likely to be. Indeed, if there are only a few firms, oligopolistic collusion is much more likely, producing similar patterns of behavior on the part of several firms.

The market power of oligopolistic firms in certain industries operates at an international level. The classic case is that of the so-called Seven Sisters of the international oil industry (Sampson, 1975). The seven oil "majors" (five American-owned, one British, and one Anglo-Dutch) dominated the world oil industry from the 1920s until the end of the 1960s. Posted prices were fixed at agreed levels between the companies, which meant that differences in marginal and transport costs were not consistently reflected in prices. This led to a situation where the oil companies were able to exert power over many parts of the Third World. This case also illustrates the interrelatedness of direct forms of economic and military power. The inroads of Western, especially British, oil firms in the Middle East between 1900 and 1940 were built upon British military power in the region. The profit-making interests of British Petroleum and Shell and the security interests of the British Empire went hand in hand. British Petroleum lobbied the British government for military action when its Iranian assets were nationalized in 1953. The British government then turned to the U.S. CIA to secure the return to power of the Shah. Denationalization followed, with British Petroleum regaining some of its former stake and the rest going to American majors (Blair, 1976).

So far we have referred to transnational corporations lobbying their parent governments in order to obtain policies favorable to their operations overseas. Such lobbying also takes place with regard to host governments, as well as international organizations such as the World Bank (Payer, 1982). Transnational financial networks are particularly well developed, and links between commercial banks, central banks, the International Monetary Fund (IMF) and the World Bank are illustrated in a number of international forums—the Bank for International Settlements, for example.

The international patterns of elite interaction—between business, state officials, bureaucrats, and members of international organizations and the networks they generate—have not been thoroughly researched (exceptions are Van der Pijl, 1984; Gill, 1989). As such, they are not well understood, at least in comparison with domestic networks. However, some organizations such as the Bilderberg meetings (which began in 1954) and the Trilateral Commission (formed in 1973) are explicitly concerned to foster social interaction, networks, and a shared outlook among the international establishments of the major capitalist countries. Similar interaction is found within intergovernmental organizations such as the OECD, which organizes conferences and research initiatives. It is crucial to note that there are elements of a common perspective, at least with respect to the role of international business and private enterprise, which cut across all of these institutional forums. While research on aspects of strategic consciousness and ideology formation at the elite level is in its infancy, some work has identified the way in which business and government leaders of different countries seek to develop a common outlook on the general conditions of existence of the international order, although not an outlook which is homogeneous on all issues. There is much debate over a number of key questions, such as the welfare state, East-West relations, and the regulation of global capital and exchange
markets (Gill, 1989). What we are suggesting, however, is that during the 1970s and 1980s the emphasis, certainly with regard to economic policy, has shifted towards a definition of questions and concepts which is more congruent with the interests of large-scale, transnational capital.7

The people active in transnational networks are increasingly well-served by a range of international periodicals, such as the Financial Times, The Economist, Far Eastern Economic Review, and The Wall Street Journal. The process of elite interaction and network-building helps to shape the agenda for those state policies which affect the operation of transnational capital. Insofar as international organizations accept a framework of thought that serves the interests of capital, they are likely to exert influence and sometimes even pressure (for example in IMF loan conditions) on national governments of a sort which is congruent with that exerted by business. Several writers have suggested that elements mentioned above are coming together to produce a transnational capitalist class or class fraction with its own particular form of "strategic" class consciousness (van der Pijl, 1984; Gill, 1989). This consciousness involves a long-term time horizon and consideration of the general conditions under which transnational capital operates, as well as of more specific, immediate, and "crisis management" issues. However, the time horizons of fractions of transnational capital vary, with private financial capital often displaying a more short-term outlook, one which is perhaps less "strategic." A plausible example of short-term outlook is the way in which leading commercial banks, in their efforts to recycle surplus petrodollars, rushed into making loans to less developed countries in the mid-1970s. However, it is questionable whether governments of the leading capitalist countries were much more aware of the dangers of such loans than were the banks (Frieden, 1981; see also Lipson, 1981, and Pfister and Suter, 1987).

The Structural Power of Capital: The Global Level

We noted earlier the material and ideological importance of the business or investment climate, involving the related concept of business confidence. Today, capital is so internationally mobile, especially between the major capitalist economies, that the investment climate of one country will be judged by business with reference to the climate which prevails elsewhere. Transnational corporations routinely appraise the legal freedoms (for example, to remit profits), production costs, labor relations, political stability, and financial concessions offered by one country in terms of those offered by many other countries. This is commonly known as "political risk analysis" (Schollhamer, 1978). They also examine the size and growth potential of a country's market. Such appraisals are made on a daily or even hourly basis by market analysts and investors in the financial sectors (Frieden, 1987). As a result, govern-

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7 Two quotations help capture this shift. Paul A. Volcker, former U.S. Federal Reserve Board Chairperson (1979–87), summarized what by the mid-1980s had become a common policy-making outlook: "There is [an] element of common strategy. . . persistent for some years. . . [giving] more emphasis to market orientation in economic policies, more concern and effort to reduce the proportion of government in GNP, more emphasis to private initiative. Obviously that matches a lot of rhetoric and oratory in the United States. But what is really startling is the rhetoric and oratory in France that parallels this kind of broad orientation of policies. It is even true in much of the developing world" (Volcker, 1985). The doyen of American international bankers, Walter Wriston notes: "There's nothing the politicians can do. . . [about the new] information standard, the information-intensive society moves [political accountability] to a judgement of the way your policies look to the international markets. . . it's a new world and the concept of sovereignty is going to change. Politically, the new world is an integrated market in which. . . [you] can't control what your people hear. . . the value of your currency. . . your capital flows. The idea of fifteenth-century international law has gone. . . It's like the three-mile limit in a world of Inter-Continental Ballistic Missiles (quoted in Frieden, 1987:115).
ments are increasingly constrained by the economic policies of other states, as well as the investment decisions of internationally mobile capital.

French attitudes to foreign investment have tended to be highly nationalist, especially under de Gaulle. During the 1960s, a tough stance was taken toward the entry of foreign businesses, notably American ones. The fear was that U.S. transnationals would be a Trojan horse to undermine French economic sovereignty. Nonetheless, by the end of that decade the French government felt it wise to adopt a more welcoming and flexible position with regard to foreign firms in high-technology industries. Exclusion of such firms from France simply resulted in their locating in a neighboring member of the European Community (EC), from where they could avoid tariff barriers and supply the French market. Under the Socialist government of President Mitterand in the 1980s, French attitudes became more flexible, even to the extent of welcoming some Japanese firms after years of complaining of Japanese inroads. Similar flexibility was shown in a range of other nationalist, mercantilist, and even communist countries—such as in China—and in much of the developing world (United Nations, 1988).

Such flexibility makes it all the easier for transnationals to play off one government against another in their search for concessions. Indeed, in some countries different regions often compete to win such foreign investment. This phenomenon is visible in countries as diverse in character as the U.S., Britain, and China. At the national level, a key question for research is how far can and will a central government regulate the competition for foreign investment among different regions (and their state or local administrations). In the U.S. case, for example, the institution of federalism makes the creation and implementation of a unified nation-wide policy very difficult. In turn, this situation makes it easier for foreign (as well as domestic) capital to play off one state against another and increase its relative bargaining power.

At the international level, the bargaining power of transnational corporations would be reduced if most national governments were able to coordinate their regulations and financial concessions. However, even supposedly like-minded and wealthy countries bound together in a collective economic organization like the EC have not been able to seriously discuss, let alone achieve, this goal. Even if governments of some member states were so inclined, given the EC voting rules there would almost certainly be others (such as Britain) who would oppose such measures and veto any such policy initiative. In an age of transnational firms, states may be forced to adopt neo-mercantilist policies in order to compete for foreign direct investment and thereby to obtain the sinews of power—skills, capital, and technology. This reinforces the structural power of transnational corporations, in contrast to national firms, a power which owes much to the division of the world into many states. Thus the threat of nationalization is less crushing to a transnational company, since it is likely that only a small proportion of its assets would be expropriated by a single country. The purely national firm is more at the mercy of its own government.

We have already seen how business confidence in a government may depend on its economic policies, including macroeconomic policies. Ideas about “sound finance” and “fighting inflation” constrain governments. Such ideas may spread from one country to another. The pursuit of such policies is likely to attract more foreign investment (other things being equal). The response of firms to such policies and other determinants of the investment climate is often gradual, spread over a number of years. As has been noted, financial capital can react to government policies or expected policies much more rapidly than productive capital. With the liberalization of capital flows between the major capitalist economies (and some less-developed countries), the reaction of financial capital need not be postponement of investment, as in an “investment strike.” Instead, huge sums of money can quickly flow out of a
country to more attractive havens, resulting in a balance of payments crisis under fixed exchange rates, or a foreign crisis (fall in the exchange rate) under floating exchange rates. A falling exchange rate brings with it increased risk of inflation, especially for a small, open economy. Hence the international mobility of financial capital can swiftly force governments which deviate from policies seen as suitable by the “market” to change course. For example, governments may be driven to raise interest rates, tighten monetary policy, and thus create a rise in unemployment to offset a currency or payments crisis. This is in fact precisely what occurred in Britain in 1976, although in this case the Labour government was able to blame the IMF (the media generally blamed the unions) for imposing its austerity policies. The point is, however, that against a background of high inflation, Britain would have had to change its policies in this direction anyway or there would have been a further collapse in the international value of sterling. The Socialist French government changed course after 1981 because of the same types of international pressures (Cobham, 1984).

Based on the above example, it is tempting to reinterpret the Thatcher slogan as “there is no alternative,” in the long term to providing a business climate, attractive by international standards. In other words the conquest of inflation would be just one aspect of a wider doctrine. We have already noted how from the late 1970s to the mid-1980s the major capitalist states adopted macroeconomic policies premised on the “war on inflation.” One explanation of the adoption of such policies is, of course, the power of markets. However, there is nothing inevitable or automatic about a particular policy response to changes in market conditions or the business climate. What may have been crucial in the adoption of monetarist policies was the growing acceptance of a policy outlook among political leaders, as well as central and private bankers, which prevented significant alternatives to market monetarism from being contemplated, except in one or two major capitalist states, such as France (see OECD, 1977; Finder et al., 1979; Putnam and Bayne, 1984; Volcker, 1985). Where such policies are adopted with little reflection on or, more realistically, belief in the credibility of possible alternatives, the power of capital attains a hegemonic status. Of the major capitalist states outside the U.S., this process may have gone furthest in the socio-economic laboratory of Thatcher’s Britain, although even here the attachment to, for example, the National Health Service, is considerable (Grant and Sargent, 1987). We are not suggesting that a transnational hegemony has been attained, or is likely to be in this century. However, the social forces making possible such a hegemony, based on free enterprise and open markets, have become more prominent in the 1980s. At this point, however, the question arises of who benefits from such a hegemony.

The impact of increased capital mobility, and also of recessions, has worked to the advantage of large-scale transnational capital, relative to national capital. Transnational capital is not entirely dependent on the business conditions of one country as purely national firms obviously are. When a recession in one country occurs, transnational corporations can survive or prosper more easily than national firms. A notable example of this is the ability of Ford Motor Company to survive large losses in its U.S. operations during the recession of the early 1980s by drawing on the profits of overseas subsidiaries, a trend which has continued. Indeed, the process of restructuring whereby weak firms are either made bankrupt or are taken over by the stronger survivors is likely to work systematically to the advantage of transnational capital, particularly in the manufacturing sector (United Nations, 1988). Britain in the 1980s provided a clear example of this process (Young et al., 1988).

While the structural power of transnational capital has risen relative to that of governments since World War II (except perhaps in primary industries), it has also
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risen relative to that of organized labor. The transnational firms, in contrast to national firms, can threaten unions with plant closures and relocation of investment to other countries. Countries with relatively weak or politically controlled labor movements will, other things being equal, tend to attract investment at the expense of countries with strong, independent labor movements. For example, part of the American electronics industry shifted to Asian countries like Singapore and Taiwan in the 1960s. Such tendencies have also been at work within particular capitalist countries. For example, in the U.S. over the last two decades manufacturing has shifted towards the relatively non-unionized “sunbelt” states of the South and West and away from the “rustbelt” Northeast and Midwest, where unionization is traditionally strong. The wider point to be made here is that the “new international division of labor,” by which some manufacturing has been selectively located in the newly industrializing countries (NICs), is merely one of various manifestations of the rising power of transnational capital, relative to national capital and to labor, especially in the core capitalist states. On the other hand, it might be noted that some of the most successful firms from the NICs have themselves gone transnational and invested in the core capitalist countries (United Nations, 1988:2). It is important not to overstate the exodus of manufacturing from the core: there has been some internationalization, but it has frequently been exaggerated (Gordon, 1988). This may be because much potential foreign direct investment is discouraged by adverse political as well as economic conditions. There is also recent evidence that changes in communications, production technologies, and organizational systems, as well as a need for a base in each of the three largest market areas, are causing production to shift back to the U.S., the EC, and the Pacific Rim (United Nations, 1988). The general point is not that capital will flee to the NICs in the face of labor militancy, but that it will move to other countries, often ones within the capitalist core.

In the past, the power of capital implied in the new international division of labor might have been countervailed to a certain extent. In the 1950s and 1960s organized labor was relatively strong in the core states and appeared to have the potential to organize internationally. By the 1980s, this potential was substantially undermined. Unionized workers of different states found themselves in a similar position to that of their national governments, that is, competing to attract foreign investment. Much higher levels of unemployment put them on the defensive (Gordon, 1988). In Britain, after union resistance to workplace reorganization declined in the 1980s, there was an influx of foreign direct investment, much of it from Japan and the U.S. Some of this was motivated also by companies wishing to gain a stronger foothold in a politically hospitable EC member before the creation of an integrated internal market in 1992. There was also some return of the U.S. electronics industry, partly because American unions were weakened and partly because of the introduction of new organizational and production/distribution systems, such as just-in-time (JIT) inventory systems which require component suppliers to be close to assemblers and final markets (United Nations, 1988:8–9).

With regard to the structural power of capital, the key contrast at the international level is the relative mobility of capital and the relative immobility of labor in most sectors of activity. However, it is important to qualify this point in respect to skilled,

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8 Countries with high concentrations of mineral reserves are special cases. Sooner or later, transnational firms will seek accommodation with the rulers of such nations, whose direct control over access to indigenous resources has increased since decolonization. Good examples of this are Libya and Saudi Arabia. The apparent paradox here is that while the direct market power of a few Third World states in the minerals sector has tended to rise with political independence, the structural power of transnational capital relative to Third World states more generally, especially in manufacturing, has become more pronounced.
knowledge-intensive labor, which is often internationally mobile, at least between capitalist countries. In certain high-technology industries (where transnational corporations often predominate), the U.S. has been able to draw talent (scientists, engineers, managers) from many other countries. The same applies to that most knowledge-intensive "industry," academia. Such skilled labor is crucial to the economic strength of both countries and transnationals. To date, the most knowledge-intensive activities, such as research and development, have tended to be carried out mainly in the parent country of the transnational company. As a result, some national characteristics have continued to feature in the corporate culture of many of these firms. As Robert Cox (1983) has suggested, the incorporation of these skilled workers is vital to the achievement of a transnational historic bloc, that is, the forging of links across not only national boundaries but also classes, to create the conditions for a hegemony of transnational capital. Crucial in this context are what Gramsci called "organic intellectuals," those able to theorize the conditions of existence of the system as a whole, suggest policies and their justifications, and, if need be, apply them. Such intellectuals need to synthesize a strategic vision with the technical and political ability to realize it in practice (Gill, 1986:210–16).

These changes can be interpreted as signs of the emergence of a new regime of accumulation. In Britain change was accompanied by trade union legislation and by a demonstration of the resolve of the government to defeat organized labor during the prolonged 1984–85 miners' strike. The government sought to alter the attitudes of the unions towards a "new realism" (Crick, 1985). Differences over the desirability of a growing number of single union and no-strike deals resulted in splits within the labor movement. Similar splits also emerged in American labor unions, with a two-tier wages system in several industries. New workers have lower pay and less job security than established workers doing identical work (Dodsworth, 1983). The position of organized labor in these countries contrasted with that elsewhere in Western Europe, where unions often fared better.

Although the position of traditional organized labor appears weakened in the emerging transnational historic bloc, this may not necessarily imply a much narrower bloc than that of the post-war boom years. The decline of unions in the last twenty years has been associated not just with the internationalization of production but with a sectoral shift away from traditional manufacturing towards services. Indeed, this sectoral shift is "the most important change in international direct investment in the past 10–15 years. While only one-quarter of FDI [foreign direct investment] was in the services sector at the beginning of the 1970s, this share had risen to 40 per cent ($300 billion) of the world stock and some 50 per cent ($25 billion) of annual flows by the mid-1980s . . . concentrated on the developed market economies (United Nations, 1988:42)."

While this sectoral shift and the international transformation it is linked to would appear to have set back the prospects for international trade unionism based upon traditional workers’ organizations, in several respects it opens up the prospect of a wider incorporation of workers and other interests, including foreign governments, into a transnational historic bloc. First, many service subsidiaries, because of the intangible and perishable nature of service activity, carry out activities similar to those of the parent company and often offer higher rates of pay than their national competitors—that is, skill levels are not centralized in parent companies. Second, skill levels spread to host countries and represent a considerable transfer of skills and technology. Third, transnationals are rapidly building affiliate networks. Finally, these activities appear to offer considerable growth in employment opportunities for the future (United Nations, 1988:45–47).

At the same time, the proportion of female workers in the labor force has drastically increased. Apart from highly-skilled labor, these and many other manu-
facturing workers may yet be incorporated into the new bloc—for example, through their links to or involvement in small family businesses and home-based contractual work in a new type of putting-out system. Control over such a system is facilitated by new communications and information technologies and can be linked to the use of JIT inventory systems. At the ideological level, a struggle is under way for the hearts and minds of the growing numbers of non-traditional members of the working class; they may see themselves as middle class, even though most of their current income derives from the application of their labor rather than from property and financial assets.

This discussion highlights the need for a better understanding of the political impact of changes in industrial structure, the labor process, and the degree of labor mobility. These changes need to be related to the consolidation of an individualist consumer culture and the possibilities for collective action on the part of workers and consumers. Specifically, it seems likely that the emerging regime of accumulation will be dominated by information- and knowledge-intensive industries. Thus the organization of the labor process and the geographical location and ideological outlook of key workers in these fields are crucial to any kind of major change. Any successful transnational historic bloc would need to comprehensively incorporate these relatively privileged workers.

Therefore, to conceive of historic blocs in purely material terms would be a fundamental mistake, since the broad contours of any new regime of accumulation will be partly shaped by the ideological climate at the national and global levels. Hence developments in the media and in education may prove to be of major long-term importance. Apart from allowing for the generation of technologies and knowledge which allow for the coordination of economic and political activity, these sectors of activity also embody both ideological and material structures which operate increasingly on a world-wide basis. Even communist states are opening themselves up to capitalist advertising, which will tend to develop a consumer culture and, in so doing, raise expectations with possible long-term implications for domestic politics and for the legitimacy of communist parties. A good example is the decision to force Soviet soccer clubs to become self-financing commercial enterprises, submitting them to the power of the market and to capitalist advertising and sponsorship. We may soon see the day when the players of Moscow Spartak will wear Porsche insignia on their uniforms (Lacey, 1988).

In the media and education, institutions have usually been under national control. Indeed, many centers of higher education, as well as telecommunication and radio and television companies, have historically been in the public sector. However, given new technological developments such as satellites and cable links for information processing, these sectors are likely to develop beyond national boundaries. Economies of scale in the production of television programs have put Western—especially American—media corporations at a competitive advantage to such a degree that, as one of the editors of ISQ has reminded us, the soap operas Dynasty and Dallas were shown in 108 countries in 1988. The importance of such scale economies may increase with the growth of satellite broadcasting. The cost of constructing and launching satellites is so great that they are often shared through international business consortia, a trend developing in other sectors as well (United Nations, 1988:3). Satellite stations can broadcast to a number of countries simultaneously, breaking down national attempts to control foreign media access and output. In this context, transnational media companies have significant market power over their national competitors, power which is likely to increase if, as seems likely, more and more nations turn to the widespread use of English as either their first or second language. With the growth of English as the major international means of communication in higher education, the scope for transnational corporations is also
immense—particularly if one considers that the major research universities and institutes in the U.S. already operate in several countries. The scope for these trends to develop is widened by a movement towards a more internationally competitive market in both higher education and the media. Proponents of capitalist—especially transnational—hegemony may therefore have an interest in promoting policies favorable to the rapid growth of satellite broadcasting. They are likely to seek to downgrade national public broadcasting institutions, or to forge links with them in order to reshape news and advertising output. In this regard it is noteworthy that in the U.K. several city institutions and the British Broadcasting Corporation are jointly planning a world television satellite news service (Brooks, 1988).

The Power of Capital: Limits and Contradictions

There are a variety of social forces which may run counter to the interests of capital in general. While we examine some of these, we are particularly interested in those which may serve to limit the rise in the power of transnational capital. Essential to the analysis of these social forces are contradictions which affect the state–civil society relationship at both domestic and global levels.

There is neither stasis nor uniformity in capitalism. In order for capital to reproduce itself it needs profitably to use labor power; capital is in a dialectical class relationship with labor. As has been noted, this relationship develops within a regime of accumulation that provides the broader conditions which establish the scope and opportunities for investment and growth. The form and character of state institutions, in the narrow or extended sense, are a central component of any regime of accumulation. As was noticed implicitly in our previous discussion of Lindblom, a key issue is the relative autonomy of the state. Lindblom suggests that in a "polyarchical" capitalist system the state will tend to serve the interests of capital. At issue, therefore, are the dimensions along which this relationship may vary, so as to place limits on the power of capital. One axis of variation is the state’s orientation towards national and transnational capital. That is, what is the balance of forces between nationalists and internationalists within the ensemble of state institutions? Which institutions are most associated with internationalist and which with mercantilist ideas and policies? A state apparatus may be internally divided so that it lacks both cohesion and consistency in its foreign economic policies, as was the case for the U.S. in the 1920s and 1930s (Frieden, 1988).

The logical corollary of this relationship from the viewpoint of economic liberals who seek to increase the power of capital is to change the orientation and outlook of the bureaucracy while simultaneously dismantling supports for declining industries. For example, incentives encouraging efficiency, elements of competition within the public sector, and a reduction in social and job security would serve to weaken the forces which support the forms of welfarist mercantilism we have noted above. The Japanese method (increasingly used in the U.K.) is to rotate regularly leadership positions between the private sector and government so that bureaucrats become more strongly imbued with market values, diluting their distinct professional identity. Years of public service prior to taking up private sector posts may enhance the national orientation of private enterprise; the term “Japan Incorporated” partly reflects this state of affairs. Hence, under certain conditions such business-biased corporatism may consolidate cultural and institutional barriers to internalization.

In some developing countries, similar constellations of state and industrial interests have emerged. These have often coalesced around a concept of “strategic industries” under national control, sometimes, as in India, based on the Soviet planning model: “The growth of the public sector was often associated with a nationalist ideology, sometimes born of struggles for independence. In countries like
India, nationalist and socialist ideas were fused. Nationalist ideas favoured the growth of military spending and the establishment of arms production. State-sponsored military-industrial development often became a feature of some less-developed countries. . . However, this may be a transitional phase, reflecting the backwardness of some countries . . . at independence” (Gill and Law, 1988:97).

One outcome of the experience of gaining independence in countries like India was an entrenched suspicion of foreign capital and a determination to develop national capital (private or public)—if need be at very high investment outlays and costs to consumers (Nayar, 1983). Historical experience and the form and quality of the state—civil society relationship are thus key to understanding how far limits to the power of capital, especially transnational capital, will vary between countries. It would be unrealistic to expect the same range and degree of limitations to the power of capital to exist in each country; this is ultimately an empirical question, depending upon the relationship between state and civil society.

At the global level, limits to the power of transnational capital are grounded in contradictions between what, in Gramscian terms, would be called an embryonic international political society and a still underdeveloped, but more discernible, internationalized civil society. International and domestic aspects of the limits to the power of capital are closely knit. With regard to the political society, for example, the strength of nationalism, concern with security, and military/public sector interests are directly related to the intensity of inter-state conflicts. As we have noted, the 1930s saw economic nationalism, militarism, and a pronounced shift towards regional economic blocs. These phenomena heightened the tendency towards a global political economy of rival national capitalists. By contrast, the more “orderly” periods of what realists call hegemonic leadership (Britain in the mid-nineteenth century, the U.S. in the twenty-five years after World War II) gave more scope to “liberal internationalist” elements in domestic political coalitions, and therefore some extension of domestic civil society at the international level. In these more liberal periods there was a rise in the relative and structural power of internationally mobile capital. In contrast, such structural power declined between the two world wars as the form of the state—civil society relationship was more nationally circumscribed.

However, the significance of hegemonic leadership for the power of capital depends largely on the nature of the political economy of the dominant states and on their domestic coalitions which control international economic policy. Both Britain and the U.S. are not only capitalist but also in favor of liberal international economic policies. If the hegemonic state after World War II had been the U.S.S.R., then the power of capital would have been severely circumscribed, as it came to be in Eastern Europe. The enlargement of the communist sphere with the 1949 Chinese communist victory extended the political constraints on the international mobility of capital and made communist ideas more appealing, particularly in the Third World. Recent changes in the policies pursued in communist states—notably in the Soviet Union, Eastern Europe, and China—towards a more liberal approach to private enterprise, markets, and international trade are major enhancements of the power of capital. They give more scope for foreign investment and increase the number of states competing to attract foreign capital. Also, shifts in policies towards “the capitalist road,” may serve to reduce the ideological challenge of communist states in the international system.

While the power of internationally mobile capital may be weakened when inter-state rivalries are intense (especially among the major powers, as in 1914–45), the structural aspect of its power owes much to the division of the world into competing states. Indeed, the relationship between transnational capital and the state is contradictory. Perhaps the power of internationally mobile capital would be maximized by a world confederation, with states competing to attract foreign
investment as they do within the EC and the U.S. Cooperation in such a confederation would be easier with a relatively small number of states, since communication would be simplified and the "free-rider" temptation less pronounced, provided that the leaders in question shared a set of defining concepts of how the world works and a vision of the future. Given these shared concepts, for a large number of states substantial cooperation is easier if power resources are concentrated in the hands of relatively few states. This point has been developed with respect to the provision of international "public goods" (Snidal, 1985). What is crucial, therefore, is which forces influence and shape state policy in the small number of key states in the capitalist system: are they internationalist or nationalist in outlook? With respect to key communist states, are dominant political groups in favor of participation in the structures of global capitalism or do they wish to pursue autarkic development strategies?

From the viewpoint of capital, the question of the optimal number of states is dialectical. It involves tensions both between political and economic dimensions and between direct and structural forms of power at the domestic and global levels. As has been noted, capital needs the state to provide public goods, including law and order—that is, it inevitably requires direct coercive activity by the state. Thus, for capital, structural power is insufficient to sustain its hegemony. At the global level, the precise ways in which these public goods (or, more accurately, quasi-public goods) are provided is a matter for debate: are they to be provided by a hegemonic state, acting as a substitute for a global Leviathan? Or are there other emerging forms of international political authority which perform similar and perhaps more legitimate functions? This is why, although the structural power of internationally mobile capital would be enhanced by having a large number of relatively small states, the problem of political and social order at the global level might be left unsolved.

The number of states, however, be it large or small, in any historical configuration is only one factor influencing the degree to which international cooperation and order is possible. Just as fundamental is the degree and type of international congruence between different state—civil society complexes (Cox, 1981). Another factor, alluded to above, is the adequacy of theorizations and models of the global political economy and the degree to which these can form the basis for a practical consensus on the directions of policy among key states in the system (Cooper, 1985). Even if all these conditions were to be met, successful cooperation would still require massive amounts of accurate, up-to-date information. Much of this is not publicly available; it is either controlled by private institutions or by public agencies operating under conditions of secrecy. Much information is notoriously imperfect. For example, the aggregation of national balance of trade figures by the IMF in 1986 resulted in a world deficit of sixty-five billion U.S. dollars, instead of the theoretically necessary total of zero.

The general point to be made here is that there is no clear-cut ideal international political society which would promote transnational hegemony on a global scale, since any of the alternatives involves contradictory elements. Moreover, the question is a dynamic and historical one, since the conditions for the creation of hegemonic structures may be very different from those for its maintenance and development. As Cox (1983) has noted, the need for political consent within such structures is most crucial "at the core" of the system, where capitalist hegemony is at its most intense. What is still an open question is how far this core can be expanded to incorporate more states and interests from the periphery within an emerging transnational historic bloc. Attempts to sketch a strategy of this type have, in fact, been developed by the Brandt Commission (1980) in its concept of concentric rings of participation, with the major capitalist states at the center of a more redistributive framework.

In the conditions of the late twentieth century, perhaps the best possible situation
for transnational capital is one which more or less exists in practice for the West, where the bulk of transnational capital is headquartered in a small number of economically large nations, ones in which capitalist hegemony is firmly embedded. However, this situation would only be ideal if a restructured U.S.S.R. were to become a member of the capitalist inner group. The historical irony is, of course, that the current order owes a great deal not just to U.S. dominance in the West but to the Soviet challenge from the East. Insofar as there are any inhospitable socialist or strongly nationalist states pursuing autarkic economic strategies, transnational capital would perhaps prefer them not to be large or geographically contiguous. A more welcoming attitude toward foreign capital in the U.S.S.R. and China is therefore of the first importance in this respect. Alternatively, the breakup of a large and relatively autarkic state, particularly one which is reluctant to liberalize its economy, would result in an increase in the structural power of transnational capital.

India is a possible example, although some limited liberalization occurred there in the early 1980s. Another key consideration is the maintenance of orderly conditions for capital accumulation. Therefore, unrest in a country like India would need to be weighed against the possibility of regional wars in a sub-continent which might be divided into many states. Given this prospect, a more federal Indian state along U.S. lines might be most favorable to transnational capital. Similar arguments could be applied to the ethnically diverse Soviet Union.

In addition, the proliferation of new states since 1947 has tended to increase the level of global militarization, partly generated by a growing, quasi-capitalist international arms trade and by a more limited spread of arms production. Indeed, these two elements have combined to make possible a more competitive arms market, which is as a consequence now much less amenable to the control of the superpowers. While militarization has accompanied the development of the internal security apparatuses of new states, it has also raised the possibility of severe wars, particularly in the Third World. The growth in terrorism is another aspect of these structural changes. One implication is that those interests within the state apparatus which wish to prioritize national security, even at the expense of civil liberties and democracy, are strengthened. They may ally with other statist and nationalist forces and reinforce a nationalist bloc, often protected by a veil of secrecy and political insulation. In this sense, the need of capital for stable political conditions for accumulation may conflict with substantial freedom of enterprise. Thus, while the structural power of capital is enhanced by a world of many states, its political conditions of operation may in some ways be weakened. Put another way, a global political society is far from true in prospect. The persistence of nationalist blocs and security complexes is mainly a problem for transnational capital, since concepts of national security are likely to mean that transnational firms are denied equal access and treatment compared with national firms. This is most often the case in the sphere of military production.

The limits and contradictions that affect the formation of a transnational historic bloc and the attainment of transnational hegemony also arise with respect to market structures and economic policy. The internationalization of production and finance and the spread of consumerism have resulted in an increasingly integrated world economy. This means that it is becoming more plausible to apply Gramsc’s concept of civil society to world orders (Cox, 1983). However, financial instability and policy perversity associated with what economists call “fallacies of composition” pose both problems and opportunities for transnational capital. This is not to suggest that such fallacies are confined to economic matters; the search for security by each individual state may generate more insecurity for the world as a whole. In the monetary sphere, this fallacy may be manifested in the macroeconomic policies of governments and the lending policies of banks. This fallacy can also apply to policies involving trade and
the environment and ecosphere. More specifically, a transnational hegemony involving banks, productive transnationals, highly skilled labor, and governments—particularly if it is reflected in policies of “market monetarism”—is invested with contradictions. If all countries compete to prove their monetary soundness, their deflationary policies will have negative multiplier effects. World recession is the natural outcome if all countries deflate simultaneously. The dangers of the hegemony of a strict financial orthodoxy were illustrated during the 1930s, particularly in the U.S. and the U.K. In these countries a commitment to balanced budgets and monetary discipline made it difficult to reverse the slide into recession. Other countries more rapidly abandoned this orthodoxy, to the point where some capitalist states actively pursued policies to constrain the power of markets. One extreme example of this was Nazi Germany. The wider macroeconomic issue is that what may appear to be rational policy from the point of view of one country may, if replicated elsewhere, add up to collective irrationality in a single, highly integrated world capitalist economy. This fallacy of composition was involved in the attempts by countries to export their unemployment through competitive depreciation and the restriction of imports during the 1930s. This exacerbated a fall in the level of world trade, exchange rate instability, and a growing climate of international uncertainty which some writers claimed not only discouraged investment but was one of the conditions which led to the outbreak of World War II (Kindleberger, 1973).

By contrast, in the 1980s there were clear signs that politicians, bankers, and economists, meeting frequently in international conferences and other fora, were aware of the implications of this fallacy and anxious to avoid them, in part through the international coordination of macroeconomic policies. For example, in 1986–87 a common view was that unless West Germany and Japan took steps to expand their economies, a slowing of world economic growth was inevitable. Such views were aired at the annual economic summits of the Group of Seven (G7) major capitalist countries and were acted on in 1987 in that the leading capitalist countries allowed more rapid monetary expansion, boosting demand and imports. This monetary expansion was associated with a large-scale purchase of dollars by the central banks of America’s G7 partners, which began early in 1987 and continued after the stock market crash of October 1987. The contrast with the deflationary policies of the 1930s was striking, and it reflected the existence of an internationalized economic policy-making process in the G7, backed up by the IMF, the World Bank, the Bank for International Settlements, and the OECD, as well as a perhaps more resilient and integrated world economic structure. However, such cooperation will need to become much greater if a new international regime of accumulation is to be established. This might involve further changes in the functions and resources of the IMF and the World Bank (see Feinberg, 1988).

Nevertheless, a contradictory tendency within the present-day world economic structure stems from the nature of markets, notably financial markets, insofar as they generate economic instability. Competition between banks can and has led to the creation of precarious debt structures and to myopic loans to some less-developed countries (as in the 1970s). There is evidence that in the 1970s certain borrowing countries used such funds to bolster state capitalist enterprises relative to transnational manufacturing concerns, playing off one sector of international capital against another (Frieden, 1981). This episode suggested both that the power of transnational capital was not sufficiently entrenched in such countries to prevent the use of international finance for nationalist purposes, and that the lack of a collective strategy on the part of the banks had weakened their position. This contradiction is increased when there is a glut of international finance such that the balance between state capital and transnational capital is tilted more in favor of the former.
At any rate, the internationalized policy process managed, at least by the mid-1980s, to produce an extraordinary amount of cooperation among governments and banks in the G7 to manage the crisis, so avoiding the large-scale defaults of the 1930s. Lessons were learned not only from the 1980s but also from the 1970s, in a more institutionalized, resilient, and perhaps “organically solid” international financial system (Pfister and Suter, 1987). These recent lessons have been associated with an enhanced appreciation and analysis of economic interdependence. The significance of market instability and indeed the estimation of its severity are not constant. One reason is that the scope and organization of markets may change. Another is that theoretical knowledge and policy sophistication also vary over time. Yet another is the way in which forms of regulation may prove inadequate to cope with the level of innovation generated under capitalism—as in, for example, the field of financial services. Here there is innovation in terms of ideas (“rational expectations” models) and techniques (new financial assets). In the race to keep up with these developments, it is mainly governments, certain international organizations, and large-scale private enterprises—rather than trade unions and consumer groups—which have the brainpower and resources to compete and to profit from increased risk and uncertainty.

While the developments discussed above (and those in communications and education) may well appear to favor the dominant agents in the global political economy, they also open up possibilities for counter-hegemonic forces, particularly at what Gramsci called the ethico-political level. This is because, in Gramscian terms, a global hegemony would need to have not only economic legitimacy and effectiveness but also moral credibility. In this context, media images of starving Africans counterposed with European butter mountains and wine lakes are an affront to both moral decency and common sense. The financial and popular success of both the Live Aid and Nelson Mandela concerts/media events in the 1980s showed how the mass media may sometimes be harnessed by those opposed to the prevailing orthodoxy and the policies it often embodies. These examples, however, are relatively few and far between. An effective counter-hegemonic challenge requires access to large financial resources, knowledge, and information, and a degree of control over production and distribution processes. In this respect, cooperatives and groups like the U.K.-based Intermediate Technology, and the North American RESULTS network are a small beginning (see Bennett with George, 1987:191–216). However, to mount a significant challenge these groups would need to become much larger, forge more comprehensive transnational links among one another, and mobilize significant support from unions and other producer interests and perhaps from political parties who might be sympathetic to these alternatives. Organizations and movements which might form part of a counter-hegemonic bloc include Amnesty International, Green parties and ecological groups, socialist think-tanks like the Transnational Institute, peace groups such as European Nuclear Disarmament, development agencies such as Oxfam, and religious organizations like the World Council of Churches. Given its size and potential as a vehicle for popular discontent in a range of less developed countries, Islamic participation in a counter-hegemonic bloc is probably essential, although unlikely. One way in which the collective power of such groups could be brought to bear is through the mobilization of funds at the expense of orthodox capital, for example in the form of “ethical” investment trusts. In some Moslem countries such as Egypt, Islamic funds (mutual funds/investment trusts) have been established—to the embarrassment of the authorities, especially since they have gained large numbers of depositors (Walker, 1988). This points towards our final section, since research is needed on the ways in which such coalitions might form and become better organized and represented.
Implications for Future Research

Our essay implies a set of research priorities which we can only outline briefly. Our agenda is partly designed to help negotiate what has been called the theoretical impasse in international studies (Halliday, 1987). At this level we emphasize the need for concepts which avoid reductionism and resolve—for example, agent-structure and state-society dichotomies. At the substantive level our agenda generally emphasises the investigation of conditions which might affect the nature of and potential for new regimes of accumulation and hegemonic orders as we approach the year 2000. As noted above, this includes a possibility of a counter-hegemony (see also Gill and Law, 1988:360–80). Our approach therefore shifts attention away from those priorities which dominate much of the orthodoxy in the field (e.g., Gilpin, 1987).

This also means that the focus of theoretical and substantive research needs to be widened. Mainstream scholarship over-concentrates on inter-state relations, assuming states to be unitary actors. State-society relations are often analysed in a materialist-utilitarian discourse which takes “utility functions” as given. What is usually missing, apart from ethical considerations, is theorization of interconnected changes in social forces within and across nations. This involves not only the issue of which groups and classes gain or lose from different world orders and regimes of accumulation, but also how constellations of interest form and disintegrate, learn from experience, and develop identity, self-consciousness, and strategy. Thus questions concerning the emergence of transnational and national networks assume major importance. With regard to monetary relations, for example, what conditions affect the growth of national and international banking complexes (see Amen, 1985)? What does this imply for the form and content of international monetary cooperation?

Our agenda does not, however, mean that role of the dominant states in the system is anything less than crucial. The role of the U.S. and the configuration of domestic interests along the nationalist-internationalist dimension is fundamental. More work is needed to examine whether social forces and political institutions in the U.S. might become more attuned to the needs of international cooperation and stability in the politico-security and economic spheres. Where the limits to such internationalization are concerned, the U.S. is again supremely important because of its weight and centrality in economic and security spheres and because of the vast numbers of large productive, financial, and media transnationals headquartered there. This is also true for the ecological sphere since the U.S. consumes the lion’s share of global resources.

With respect to production relations, the shift towards services and high value-added, science based, information-intensive industries and the growth in home-based work and female employment need careful analysis. Some of these activities are becoming internationalized such as data processing. Can others follow? What role do these changes play in an emerging regime of accumulation? How might these changes affect market outcomes, class consciousness, union organization, and the power of capital? With respect to the normative dimensions of change, how far might transnational firms promote or develop a truly cosmopolitan culture? To what extent might the spread of consumerism and the use of English vary in impact for different societies? In this context the role and development of knowledge-intensive industries such as education and the media take on a special significance. Their capacity to influence and perhaps transform the perceptions, understandings, and predispositions of people means that the question of access to and control of these resources is an important political issue, as well as one of theoretical interest: what do these changes imply in terms of the normative aspects of the power and potential hegemony of transnational capital?
A similarly wide-ranging method of analysis can be used to ponder the future of the communist states, perhaps focusing on the substantive question of how far status quo interests can be overcome in order to resolve the organic crisis in the social structures/regimes of accumulation of existing socialism. This could lead to a consideration of how and under what conditions the U.S.S.R. might be absorbed into the capitalist core. A similar method could be applied to transformations in the newly-industrializing countries and the rest of the Third World. In each of these cases, however, any analysis of the process of restructuring must be related to prevailing economic and military pressures at the global level. The social forces promoting the spread of military-industrial complexes are of major importance, not just for peace, political stability, and living standards, but for state-society relations and the position of national relative to transnational capital (Gill and Law, 1988: 103–26; 368–70). Work in this area needs to pay more attention to the growth of transnational military-industrial networks, as well as transnational peace groups and other transnational political coalitions.

A practical question which arises from these considerations is which social forces might promote or inhibit a synchronization of outlook and policy preferences among ruling classes, elites, and key elements in the state apparatuses of the dominant (and subordinate) nations in coming decades. This issue is central for ascertaining not only trends in transatlantic and superpower relations but also the degree to which any new regime of accumulation will be accompanied by a hegemonic international order.

References


