

GLOBAL PERESTROIKA

Robert W. Cox

Mikhail Gorbachev's perestroika was a revolution from above, a decision by political leadership to undertake a reform of the economic organisation of 'real socialism' which, once initiated, got out of control and spun into entropy. Underlying that decision was a vague idea that some kind of socialism could be rebuilt in the context of market forces. No one had a clear strategy based upon real social forces as to how this result could be achieved. The consequence has been a devastating destruction of the real economy, *i.e.* the productive capacity and the economic organisation of real (albeit ailing) socialism, and a disarticulation of social forces. Soviet perestroika aggravated the decay of public services, created large-scale unemployment, polarised new wealth and new poverty, generated inflation, and made a former superpower dependent upon foreign relief. Those who gained from the 'market' were preeminently well-placed members of the former nomenklatura, speculators, and gangsters. The market is the mafia.

Perestroika in the now defunct Soviet empire is perhaps the worst case of what has become a global phenomenon—worst not in an absolute sense but in the most dramatic descent from production to entropy. Global perestroika, more euphemistically called 'globalization', is not the consequence of a conscious decision of political leadership. It is a result of structural changes in capitalism, in the actions of many people, corporate bodies, and states, that cumulatively produce new relationships and patterns of behaviour. The project of global perestroika is less the conscious will of an identifiable group than the latent consequence of these structural changes. These consequences form a coherent interrelated pattern; but this pattern contains within itself contradictions that threaten the persistence of this structural whole in formation. Those of us who abhor the social and political implications of the globalisation project must study its contradictions in order to work for its eventual replacement.

Sources of Globalisation

It has been fashionable, especially in the Anglo-Saxon tradition, to distinguish states and markets in the analysis of economic forces and economic change. Where this distinction leads to the privileging of one to the exclusion of the other, it always departs from historical reality. States and political authorities have had a variety of relationships to economic activity, even when proclaiming non-intervention, and the market is a power relationship. (As **François** Perroux wrote: 'Il n'y a pas de sosie en économie'. – Economic agents are not identical twins.) Where the distinction serves to assess the relative weight of the visible hand of political authority and of the latent outcome of an infinity of private actions, it has some analytical merit.¹

In the capitalist core of the world economy, the balance has shifted over time from the mercantilism that went hand in hand with the formation of the modern state, to the liberalism of les bourgeois *conquérants*,² and back again to a more state-regulated economic order, first in the age of imperialism and then, after a post-war interlude of aborted liberalism, during the Great Depression of the **1930s**. The state during the 1930s had to assume the role of agent of economic revival and defender of domestic welfare and employment against disturbances coming from the outside world. Corporatism, the union of the state with productive forces at the national level, became, under various names, the model of economic regulation.

Following World War II, the Bretton Woods system attempted to strike a balance between a liberal world market and the domestic responsibilities of states. States became accountable to agencies of an international economic order – the IMF, World Bank, and GATT – as regards trade liberalisation, and exchange-rate stability and convertibility; and were granted facilities and time to make adjustments in their national economic practices so as not to have to sacrifice the welfare of domestic groups. Keynesian demand management along with varieties of corporatism sustained this international economic order through the ups and downs of the capitalist business cycle. Moderate inflation attributable to the fine tuning of national economies stimulated a long period of economic growth. War and arms production played a key role: World War II pulled the national economies out of the Depression; the Korean War and the Cold War underpinned economic growth of the 1950s and **1960s**.

The crisis of this post-war order can be traced to the years **1968–75**. During this period, the balanced compromise of Bretton Woods shifted toward subordination of domestic economies to the perceived exigencies of a global economy. States willy nilly became more effectively accountable to a *nébuleuse* personified as the, global economy; and they were constrained to mystify this external accountability in the eyes and ears of their own publics through the new vocabulary of globalisation, interdependence, and competitiveness.

How and why did this happen? It is unlikely that any fully adequate explanation can be given now. The matter will be long debated. It is, however, possible to recognise this period as a real turning point in the structural sense of a weakening of old and the emergence of new structures. Some key elements of the transformation can be identified.

The structural power of capital: Inflation which hitherto had been a stimulus to growth, beneficent alike to business and organised labour, now, at higher rates and with declining profit margins, became perceived by business as inhibiting investment. Discussions among economists as to whether the fault lay in demand pull or in cost push were inconclusive. Business blamed unions for raising wages and governments for the cycle of excessive spending, borrowing, and taxing. Governments were made to understand that a revival of economic growth would depend upon business confidence to invest, and that this confidence would depend upon 'discipline' directed at trade unions and government fiscal management. The investment strike and capital flight are powerful weapons that no government can ignore with impunity. A typical demonstration of their effectiveness was the policy shift from the first to the second phase of the Mitterrand presidency in France.

The structuring of production: Insofar as government policies did help restore business confidence, new investment was by-and-large of a different type. The crisis of the post-war order accelerated the shift from **Fordism** to post-Fordism – from economies of scale to economies of flexibility. The large integrated plant employing large numbers of semi-skilled workers on mass-production of standardised goods became an obsolete model of organisation. The new model was based on a **core-periphery** structure of production, with a relatively small core of relatively permanent employees handling finance, research and development, technological organisation and innovation, and a periphery consisting of dependent components of the production process.

While the core is integrated with capital, the fragmented components of the periphery are much more loosely linked to the overall production process. They can be located partly within the core plant, e.g. as maintenance services, and partly spread among different geographical sites in many countries. Periphery components can be called into existence when they are needed by the core and disposed of when they are not. Restructuring into the core-periphery model has facilitated the use of a more precariously employed labour force segmented by ethnicity, gender, nationality, or religion. It has weakened the power of trade unions and strengthened that of capital within the production process. It has also made business less controllable by any single state authority. Restructuring has thereby accelerated the globalising of production.

The role of debt: Both corporations and governments have relied increasingly on debt financing rather than on equity investment or **taxa-**

tion. Furthermore, debt has to an increasing extent become *foreign* debt. There was a time when it could be said that the extent of public debt did not matter 'because we owed it to ourselves'. However plausible the attitude may have been, it no longer applies. Governments now have to care about their international credit ratings. They usually have to borrow in currencies other than their own and face the risk that depreciation of their own currency will raise the costs of debt service.

As the proportion of state revenue going into debt service rises, governments have become more effectively accountable to external bond markets than to their own publics. Their options in exchange rate policy, fiscal policy, and trade policy have become constrained by financial interests linked to the global economy. In Canada, among the very first acts of the heads of the *Parti québécois* government elected in Quebec in 1976 and of the New Democratic Party government elected in Ontario in 1990, both of them appearing as radical challenges to the pre-existing political order, was to go to New York to reassure the makers of the bond market. In Mexico, the government had to abandon an agricultural reform designed to expand medium-sized farming for local consumption goods, and revert to **large-scale** production of luxury export crops in order to earn dollars to service the country's debt.

Corporations are no more autonomous than governments. The timing of an announcement by General Motors just prior to Christmas 1991 that it was going to close 21 plants and cut **74,000** jobs³ was hardly prompted by a particularly Scrooge-like malevolence. By informed accounts, it was intended, by appearing as a token of the corporation's intention to increase competitiveness, to deter a down-grading of its bond rating which would have increased the corporation's cost of borrowing. A large corporation, flag-ship of the US economy, is shown to be tributary to the financial manipulators of Wall Street. Finance has become decoupled from production*to become an independent power, an autocrat over the real economy.

And what drives the decision making of the financial manipulators? The short-range thinking of immediate financial gain, not the long-range thinking of industrial development. The market mentality functions synchronically; development requires a diachronic mode of thought. Financial markets during the 1980s were beset by a fever of borrowing, leveraged takeovers, junk bonds, and savings and loan scandals – a roller-coaster of speculative gains and losses that Susan Strange called 'casino **capitalism**'.⁵ The result of financial power's dominance over the real economy was as often as not the destruction of jobs and productive capital. This is western capitalism's counterpart to perestroika's destruction of the residual productive powers of real socialism.

The Structures of Globalisation

The crisis of the post-war order has expanded the breadth and depth of a global economy that exists alongside and incrementally supersedes the classical international **economy**.⁴ The global economy is the system generated by globalising production and global finance. Global production is able to make use of the territorial divisions of the international economy, playing off one territorial jurisdiction against another so as to maximise reductions in costs, savings in taxes, avoidance of anti-pollution regulation, control over labour, and guarantees of political stability and favour. Global finance has achieved a virtually unregulated and electronically connected 24-hour-a-day network. The collective decision making of global finance is centred in world cities rather than states – New York, Tokyo, London, Paris, Frankfurt – and extends by computer terminals to the rest of the world.

The two components of the global economy are in potential contradiction. Global production requires a certain stability in politics and finance in order to expand. Global finance has the upper hand because its power over credit creation determines the future of production; but global finance is in a parlously fragile condition. A calamitous concatenation of accidents would bring it down – a number of failures on the Robert Maxwell scale combined with government debt defaults or a cessation of Japanese foreign lending. For now governments, even the combined governments of the G7, have not been able to devise any effectively secure scheme of regulation for global finance that could counter such a collapse.

There is, in effect, no explicit political or authority structure for the global economy. There is, nevertheless, something there that remains to be deciphered, something that could be described by the French word *nébuleuse* or by the notion of 'governance without government'.

There is a transnational process of consensus formation among the official caretakers of the global economy. This process generates consensual guidelines, underpinned by an ideology of globalisation, that are transmitted into the policy-making channels of national governments and big corporations. Part of this consensus-formation **process** takes place through unofficial forums like the Trilateral Commission, the Bilderberg conferences, or the more esoteric Mont **Pelerin** Society. Part of it goes on through official bodies like the OECD, the Bank of International Settlements, the International Monetary Fund, and the G7. These shape the discourse within which policies are defined, the terms and concepts that circumscribe what can be thought and done. They also tighten the transnational networks that link policy making from country to country.'

The structural impact on national governments of this global **centralisation** of influence over policy can be called the internationalising of the state. Its common feature is to convert the state into an **agency** for adjusting national economic practices and policies to the perceived **exigen-**

cies of the global economy. The state becomes a transmission belt from the global to the national economy, where heretofore it had acted as the bulwark defending domestic welfare from external disturbances. Power within the state becomes concentrated in those agencies in closest touch with the global economy – the offices of **presidents** and prime ministers, treasuries, central banks. The agencies that are more closely identified with domestic clients – ministries of industries, labour ministries, etc. – become subordinated. This phenomenon, which has become so salient since the crisis of the post-war order, needs much more study.

Different forms of state facilitate this tightening of the **global/local** relationship for countries occupying different positions in the global system. At one time, the military-bureaucratic form of state seemed to be optimum in countries of peripheral capitalism for the enforcement of monetary discipline. Now IMF-inspired 'structural adjustment' is pursued by elected presidential regimes (Argentina, Brazil, Mexico, Peru) that manage to retain a degree of insulation from popular pressures. India, formerly following a more autocratic or self-reliant path, has moved closer and closer towards integration into the global economy. Neo-conservative ideology has sustained the transformation of the state in Britain, the United States, Canada, and Australasia in the direction of globalisation. Socialist party governments in France and in Spain have adjusted their policies to the new orthodoxy. The states of the former Soviet empire, insofar as their present governments have any real authority, seem to have been swept up into the globalising trend.

In the European Community, the unresolved issue over the social charter indicates a present stalemate in the conflict over the future nature of the state and of the regional authority. There is a struggle between two kinds of capitalism⁹: the hyper-liberal globalising capitalism of **Thatcherism**, and a capitalism more rooted in social policy and territorially balanced development. The latter stems from the social democratic tradition and also from an older conservatism that thinks of society as an organic whole rather than in the contractual individualism of so-called neo-conservatism.

In Japan, the guiding and planning role of the state retains initiative in managing the country's relationship with the world outside its immediate sphere, and will likely be of increasing significance in lessening that economy's dependence upon the US market and the US military. The EC and Japan are now the only possible counterweights to total globalisation at the level of states.

Globalisation and Democracy

The issues of globalisation have an important implication for the meaning of democracy. The ideologues of globalisation are quick to identify

democracy with the free market. There is, of course, very little historical justification for this identification. It derives almost exclusively from the coincidence of liberal parliamentary constitutionalism in Britain with the industrial revolution and the growth of a market economy. This obscured in a way the necessity of state force to establish and maintain the conditions for a workable market – a new kind of police force internally and sea power in the world market. It also ignored the fact that the other European states following the British lead in the nineteenth century, e.g. the French Second Empire, were not notably liberal in the political sense. In our own time, the case of Pinochet's Chile preconfigured the role of military-bureaucratic regimes in installing the bases for liberal economic policies. Ideological mystification has obscured the fact that a stronger case can probably be made for the pairing of political authoritarianism with market economics. It is perhaps worth reflecting upon this point when undertaking the task of constructing the socialist alternative for the future.

Since the crisis of the post-war order, democracy has been quietly redefined in the centres of world capitalism. The new definition is grounded in a revival of the nineteenth-century separation of economy and politics. Key aspects of economic management are therefore to be shielded from politics, that is to say, from popular pressures. This is achieved by confirmed practices, by treaty, by legislation, and by formal constitutional provisions.¹⁰ By analogy to the constitutional limitations on royal authority called limited monarchy, the late twentieth-century redefinition of pluralist politics can be called 'limited democracy'.

One of the first indications of this development can now in retrospect be traced to the fiscal crisis of New York City in 1975. The 1960s saw the emergence of three strong popular movements in New York City: a middle-class reform movement, a black civil rights movement, and a movement to unionise city employees. Reformers captured the mayoralty with the support of blacks and subsequently had to come to terms with the unions in order to be able to govern effectively. The city could not pay through its own revenues for the new public services demanded by the coalition and for the wage and benefit settlements reached with the unions. It had to borrow from the banks. Without a subsidy that the state of New York was unwilling to provide, the city was unable to service and renew these loans. To avoid a bankruptcy that would have been detrimental to all the parties, from the bankers to the unions, the city was placed in a kind of trusteeship with members of the banking community in control of the city budget and administration. **Retrenchment** was directed at programmes with black clientele and at labour costs. Blacks, who then lacked effective political organisation, were abandoned by the middle-class reformers who had mobilised them into city politics. Municipal unions were better organised, but vulnerable to their corporatist involvement with the city, and not likely to risk a bankruptcy that would threaten city employees' future incomes and pensions."

This episode showed that (1) corporatism can provide a way out of a fiscal crisis provoked by the demands of new political groups, (2) this decision requires a restriction of decision power to elements acceptable to the financial market, (3) this, in turn, requires the political demobilisation or exclusion of elements likely to challenge that restriction, and (4) this solution is vulnerable to a remobilisation of the excluded elements.

During the same year 1975, three ideologues of the Trilateral Commission produced a report to the Commission that addressed the issue of the 'ungovernability' of **democracies**.¹² The thesis of the report was that a 'democratic surge' in the **1960s** had increased demands on government for services, challenged and weakened governmental authority, and generated inflation. The Trilateral governments, and especially the United States, were suffering from an 'excess of democracy', the report argued; and this overloading of demands upon the state could only be abated by a degree of political demobilisation of those 'marginal' groups that were pressing new demands.¹³

The underlying ideology here propounded became expressed in a variety of measures intended to insulate economic policy making from popular pressures. Cynicism, depoliticisation, a sense of the inefficacy of political action, and a disdain for the political class are current in the old democracies.

Although the tendency towards limited democracy remains dominant, it has not gone unchallenged. Prime Minister Brian Mulroney of Canada sold the Free Trade Agreement with the United States in the oil-producing region of Alberta with the argument that it would forevermore prevent the introduction of a new national energy policy; but opposition to free trade, though defeated in the elections of 1988, did mobilise many social groups in Canada more effectively than ever before. In Europe, the 'democratic deficit' in the EC is at the centre of debate. Business interests are, on the whole, pleased with the existing bureaucratic framework of decision making, -remote from **democratic pressures** - apart, of course, from the more paranoid hyper-liberals who see it as risking socialism through the back door. But advocates of the social charter **and of** more powers for the European parliament are sensitive to the long-term need for legitimation of a European form of capitalism.

One can question the long-term viability of the new limited or exclusionary democracies of peripheral capitalism. They must continue to administer an austerity that polarises rich and poor in the interests of external debt relationships. Very likely, they will be inclined to resort to renewed repression, or else face an explosion of popular pressures. Nowhere is this dramatic alternative more apparent than in the former Soviet empire. Whereas *glasnost* has been *a* resounding success, *perestroika* has been a disastrous failure. The race is between the constitution of pluralist regimes grounded in the emergence of a broadly inclusionary civil society, and new fascist-type populist authoritarianism.

The Changing Structure of World Politics

Out of the crisis of the post-war order, a new global political structure is emerging. The old Westphalian concept of a system of sovereign states is no longer an adequate way of conceptualising world **politics**.¹⁴ Sovereignty is an ever looser concept. The old legal definitions conjuring visions of ultimate and fully autonomous power are no longer meaningful. Sovereignty has gained meaning as an affirmation of cultural identity and lost meaning as power over the economy. It means different things to different people.

The affirmation of a growing multitude of 'sovereignities' is accompanied by the phenomena of macro-regionalism and micro-regionalism. Three macro-regions are defining themselves respectively in a Europe centred on the EC, an east Asian sphere centred on Japan, and a North American sphere centred on the United States and looking to embrace Latin America. It is unlikely that these macro-regions will become autarkic economic blocs reminiscent of the world of the Great Depression. Firms based in each of the regions have too much involvement in the economies of the other regions for such exclusiveness to become the rule. Rather the macro-regions are political-economic frameworks for capital accumulation and for organising inter-regional competition for investment and shares of the world market. They also allow for the development through internal struggles of different forms of capitalism. Macro-regionalism is one facet of globalisation, one aspect of how a globalising world is being restructured.

These macro-regions are definable primarily in economic terms but they also have important political and cultural implications. The EC, for instance, poses a quandary for Switzerland whose business elites see their future economic welfare as linked to integration in the EC, but many of whose people, including many in the business elites, regret the loss of local control upon which Swiss democracy has been based. On the other hand, people in Catalonia, Lombardy and Scotland look to the EC as an assurance of greater future autonomy or independence in relation to the sovereign states of which they now form part. And there have been no more fervent advocates of North American free trade than the Quebec *indépendentistes*. Globalisation encourages macro-regionalism, which, in turn, encourages micro-regionalism.

For the relatively rich micro-regions, autonomy or independence means keeping more of their wealth for themselves. The *lega* in Lombardy would jealously guard northern wealth against redistribution to the south of Italy. Such motivations in other relatively wealthy regions are less overtly proclaimed. An institutionalised process of consultation (an incipient inter-micro-regional organisation) among the 'four motors' of Europe – Catalonia, Lombardy, Rhone-Alpes, and **Baden-Württemberg** – has been joined by Ontario.

Micro-regionalism among the rich will have its counterpart surely among poorer micro-regions. Indeed, some of the richer micro-regions have, as a gesture of solidarity, 'adopted' poor micro-regions. Micro-regionalism in poor areas will be a means not only of affirming cultural identities but of claiming pay-offs at the macro-regional level for maintaining political stability and economic good behaviour. The issues of redistribution are thereby raised from the sovereign state level to the **macro-**regional level, while the manner in which redistributed wealth is used becomes decentralised to the micro-regional level.

At the base of the emerging structure of world order are social forces. The old social movements – trade unions and peasant movements – have suffered setbacks under the impact of globalisation; but the labour movement, in particular, has a background of experience in organisation and ideology that can still be a strength in shaping the future. If it were to confine itself to its traditional clientele of manual industrial workers, while production is being restructured on a world scale so as to diminish this traditional base of power, the labour movement would condemn itself to a steadily weakening influence. Its prospect for revival lies in committing its organisational and ideologically mobilising capability to the task of building a broader coalition of social forces.

New social movements, converging around specific sets of issues – environmentalism, feminism, and peace – have grown to a different extent in different parts of the world. More amorphous and vaguer movements – 'people power' and democratisation – are present wherever political structures are seen to be both repressive and fragile. These movements evoke particular identities – ethnic, nationalist, religious, gender. They exist within states but are transnational in essence. The indigenous peoples' movement affirms rights prior to the existing state system.

The newly affirmed identities have in a measure displaced class as the focus of social struggle; but like class, they derive their force from resentment against exploitation. There is a material basis for their protest, a material basis that is broader than the particular identities affirmed. Insofar as this common material basis remains obscured, the particular identities now reaffirmed can be manipulated into conflict one with another. The danger of authoritarian populism, or reborn fascism, is particularly great where political structures are crumbling and the material basis of resentment appears to be intractable. Democratisation and 'people power' can move to the right as well as to the left.

Openings for a Countertrend:
the clash of territorial and interdependence principles

The emerging world order thus appears as a multilevel structure. At the base are social forces. Whether they are self-conscious and articulated into

what Gramsci called an historic bloc, or are depoliticised and manipulatable, is the key issue to the making of the future. The old state system is resolving itself into a complex of political-economic entities: micro-regions, traditional states, and macro-regions with institutions of greater or lesser functional scope and formal authority. World cities are the keyboards of the global economy. Rival transnational processes of ideological formation aim respectively at hegemony and counterhegemony. Institutions of concertation and coordination bridge the major states and macro-regions. Multilateral processes exist for conflict management, peace keeping, and regulation and service providing in a variety of functional areas (trade, communications, health, etc.). The whole picture resembles the multilevel order of medieval Europe more than the Westphalian model of a system of sovereign independent states that has heretofore been the paradigm of international relations."

The multilevel image suggests the variety of levels at which intervention becomes possible, indeed necessary, for any strategy aiming at transformation into an alternative to global perestroika. It needs to be completed with a depiction of the inherent instability of this emerging structure. This instability arises from the dialectical relationship of two principles in the constitution of order: the principle of interdependence and the territorial principle.

The interdependence principle is non-territorial in essence, geared to competition in the world market, to global finance unconstrained by territorial boundaries, and to global production. It operates in accordance with the thought processes of what Susan Strange has called the 'business civilization'.¹⁶ The territorial principle is state-based, grounded ultimately in military-political power.

Some authors have envisaged the rise of the interdependence principle as implying a corresponding decline of the territorial principle;" but the notion of a reciprocal interactive relationship of the two principles is closer to reality. The myth of the free market is that it is self-regulating. As Karl Polanyi demonstrated, it required the existence of military or police power for enforcement of market **rules**.¹⁸ The fact that this force may rarely have to be applied helps to sustain the myth but does not dispense with the necessity of the force in reserve. Globalisation in the late twentieth century also depends upon the military-territorial power of an enforcer.

The counterpart today to nineteenth-century British sea power and Britain's ability through much of that century to manage the balance of power in Europe, is US ability to project military power on a world scale. The US world role in the period 1975–1991, however, contrasts markedly with its role in the period 1945–1960. In the earlier period, US hegemonic leadership provided the resources and the models to revive the economies of other non-communist industrial countries, allies and former enemies alike, and from the 1950s also to incorporate part of what came to be called

the Third World into an expanding global economy. US practices in industrial organisation and productivity raising were emulated far and wide. The United States also led in the formation of international 'regimes' to regulate multilateral economic **relations**.¹⁹ This post-war order was based upon a power structure in which the United States was dominant, but its dominance was expressed in universal principles of behaviour through which, though consistent with the dominant interests in US society, others also stood to gain something. In that sense the US role was hegemonic.

From the mid **1960s**, the United States began to demand economic benefits from others as a quid pro quo for its military power. This mainly took the form of pressing other industrial countries to accept an unlimited flow of US dollars. General Charles de Gaulle was the first to blow the whistle, by converting French dollar reserves into gold and denouncing US practice as a ploy to have others finance an unwanted US war in Vietnam and aggressive US corporate takeovers and penetration into Europe. West Germany was initially more tractable than France, perceiving itself as more dependent upon the US military presence in Europe."

By the **1980s**, the rules of the Bretton Woods system, which had some potential for restraint on US policy, ceased to be operative. With Bretton Woods, one of the principal consensual 'regimes' failed. The link of the dollar to gold was severed in the summer of 1971, and from 1973 the exchange rates of the major world currencies were **a float**. Management of the dollar became a matter of negotiation among the treasuries and central banks of the chief industrial powers, and in these negotiations US military power and its world role could not be a factor. Under the Reagan presidency, the build-up of US military strength contributed to growing budget deficits. A US trade deficit also appeared during the 1970s and continued to accumulate during this period. The US economy was consuming far in excess of its ability to pay and the difference was extracted from foreigners. The hegemonic system of the post-war period was becoming transformed into a tributary system. At the end of 1981, the United States was in a net world creditor position of \$141 billion. By the end of 1987, the United States had become the world's biggest debtor nation to the tune of some \$400 billion: and the debt has continued to grow ever since. Japan became the chief financier of the US deficit.

There is a striking contrast between the US situation as the greatest debtor nation and that of other debtor nations. While the United States has been able to attract, cajole, or coerce other nations' political leaders, central bankers and corporate investors into accepting its **IOUs**, other countries become subject to the rigorous discipline imposed by the agencies of the world economy, notably the IMF. Under the euphemistic label of 'structural adjustment', other states are required to impose domestic austerity with the effect of raising unemployment and domestic prices

which fall most heavily on the economically weaker segments of the population. Through the financial mechanism, these debtor states are constrained to play the role of instruments of the global economy, opening their national economies more fully to external pressures. By acquiescing, they contribute to undermining the territorial principle, *i.e.* the possibility of organising collective national self-defence against external economic forces. Any show of resistance designed to opt for an alternative developmental strategy can be countered by a series of measures beginning with a cut-off of credit, and progressing through political destabilisation, to culminate in covert and ultimately overt military attack.

The Gulf War revealed the structure and *modus operandi* of the new world order. The conflict began as a challenge from forces based on the territorial principle – **Saddam Hussein's** project to use regional **territorial-military** power to secure resources for Iraq's recovery from the Iran–Iraq war and for consolidation of a strong regional territorial power that could control resources (oil) required by the world economy, and thereby to extract from the world economy a rent that could be used to further his developmental and military ambitions. Kuwait, Saudi Arabia, and the other Gulf states are fully integrated into the interdependent world economy. Indeed, these states are more analogous to large holding companies than to territorial states. The revenues they derive from oil are invested by their rulers through transnational banks into debt and equities around the world. Within the territories of these countries, the workforce is multinational and highly vulnerable.

The United States responded to the perceived Iraqi threat in its role as guarantor and enforcer of the world economic order; and, consistent with that role, rallied support from other states concerned about the security of the global economy. The United States took on its own the decision to go to war, had it ratified by the United Nations Security Council, and demanded and obtained payment for the war from Japan, Germany, Saudi Arabia and Kuwait.

The role of enforcer is, however, beset by a contradiction. US projection of military power on the world scale has become more salient, monopolistic, and unilateral while the relative strength of US protective capacity has declined." This rests upon the other contradiction already noted: that the United States consumes more than its own production can pay for because foreigners are ready to accept a flow of depreciating dollars. Part of the debt-causing US deficit is attributable to military expenditure (or **military-related, i.e.** payments to client states that provide military staging grounds like Egypt or the Philippines); and part is attributable to domestic payments (statutory entitlement payments, not to mention the savings and loan scandal bail-out) which by and large benefit the American middle and upper middle class.

Deficit and failing productivity result less from wilful policy than from a structural inability of the American political system to effect a change.

Domestic political resistance to cuts in the entitlement programmes is on a par with resistance to tax increases. American politicians will not confront their electors with the prospect of a necessary, even if modest, reduction in living standards to bring consumption (military and civilian) into balance with production. With no relief in the deficit, there can be no prospect of the United States undertaking the massive investment in human resources that would be needed in the long run to raise US productivity by enabling the marginalised quarter or third of the population to participate effectively in the economy. Only thus could the United States gradually move out of its dependence on foreign subsidies sustained by military power. All elements of the **military/debt** syndrome conspire to obstruct an American initiative to escape from it.

Structural obstacles to change exist also outside the United States, though perhaps not quite so obstinately. Those foreigners who hold US debt are increasingly locked in as the exchange rate of the dollar declines. They would suffer losses by shifting to other major currencies; and their best immediate prospect may be to exchange debt for equity by purchase of US assets. In the longer run, however, foreigners may weigh seriously the option of declining to finance the US deficit; and if this were to happen it would force the United States into a painful domestic readjustment. Indeed, it is probably the only thing that could precipitate such an adjustment.

There are, however, serious risks for the rest of the world in forcing the world's preeminent military power into such a painful course. They are the risks inherent in assessing self-restraint in the use of military power. Whether or not openly discussed, this has to be the salient issue for Japanese in thinking about their future relations with the United States and with the world.

The new world order of global *perestroika* is weak at the top. The next few years will likely make this weakness more manifest. There is a kind of utopian optimism abroad that sees the United Nations as coming to play its 'originally intended' role in the world. But the United Nations can only be the superstructure or the architectural facade of an underlying global structure of power. It could never sustain a breakdown of that structure, nor should it be asked to do so. The United Nations, for all its recent achievements in the realm of regional conflicts and in resolution of the hostage crisis, is probably today at greater risk than it was during the years of Cold War and **North/South** impasse when it was substantially sidelined. If the United Nations is to become strengthened as an institution of world order, it will have to be by constructing that order on surer foundations than those presently visible.

Terrains of Struggle for an Alternative World Order

Global *perestroika* penetrates the totality of structures constituting world order. It can only be effectively countered by a challenge at several levels, by a Gramscian war of position of probably long duration.

The basic level is the level of social forces. The globalising economy is polarising advantaged and disadvantaged, while it fragments the disadvantaged into distinct and often rival identities. The challenge here is to build a coherent coalition of opposition. Such a coalition must, most likely, be built at local and national levels among groups that are aware of their day to day coexistence, and are prepared to work to overcome what keeps them apart. Labour movements have an experience in organising capability and ideological work that can be used in this task, provided they are able to transcend narrow corporative thinking to comprehend the requirements of a broader based social movement.

A new discourse of global socialism that could become a persuasive alternative to the now dominant discourse of globalising capitalism remains to be created. It is the task of organic intellectuals of the countertendency not just to deconstruct the reigning concepts of competitiveness, structural adjustment, etc. but to offer alternative concepts that serve to construct a coherent alternative order. This goes beyond the strictly economic to include the political foundations of world order. An alternative future world order implies a new intersubjective understanding of the nature of world order and its basic entities and relationships.

Part of this intersubjectivity to be created will be an alternative model of consumption. Consumerism has been the driving force of capitalist *perestroika*, not only in the advanced capitalist societies but in the **ex-Soviet** east and in the Third World. Perhaps the greatest failure of 'real socialism' was its failure, in its fixation upon 'overtaking' capitalism, to generate alternative aspirations to those of capitalist consumerism. This paralleled real socialism's failure to envisage alternative ways of organising production to those of the hierarchical capitalist factory system. An alternative model of consumption would be one in balance with global ecology, which minimised energy and resources consumption and pollution, and **maximised** emancipatory and participatory opportunities for people.

The local basis for political and ideological action, while indispensable, will by itself alone be ineffective. Since the globalising tendency extends everywhere, the countertendency could be rather easily snuffed out if it were isolated in one or a few places. Many locally based social forces will have to build transnational arrangements for mutual support. The alternative to capitalist globalisation will need to build upon the productive forces created by capitalism by converting them to the service of society. The counterforce to capitalist globalisation will also be global, but it cannot be global all at once.

The macro-regional level offers a prospectively favourable terrain, most of all in **Europe**.²³ It is at the macro-regional level that the confrontation of rival forms of capitalism is taking place. Those who are looking beyond that phase of struggle have to be aware of the ideological space that is opened by this confrontation of hyper-liberal and state-capitalist or corporatist forms of capitalism. A similar kind of confrontation is developing between Japanese and American forms of capitalism. The long-term strategic view has to take account of opportunities in the medium-term encounter of forces.

Another major source of conflict lies in the rising power of **Islamism** (or what western journalists like to call Islamic fundamentalism). Islam, in this context, can be seen as a metaphor for the rejection of western capitalist penetration in many peripheral societies. Some of its aspects – the penal code, the place of women in society, the concept of *jihad* – are incomprehensible or abhorrent to western progressives. Yet Islam has superseded socialism as the force rallying the disadvantaged of much of the populations in North Africa, the Middle East, and parts of Asia. One of the more difficult challenges in building a global counterforce is for western 'progressives' to be able to come to terms on a basis of mutual comprehension with the progressive potential in contemporary **Islam**.²⁴

The fragility of the existing global structure is felt particularly at two points: military and financial. These are the instruments of power that shape the behaviour of states today both structurally and instrumentally. They need to be more fully understood in their relationship to the goal of a future world social order.

On the military side, the struggle is bound to be asymmetrical against a concentrated monopoly of high technology military power. Strategies that rely upon a different kind of power will be required. Experience has been gained with relatively non-violent methods of opposition, e.g. the intifada.

Finally, rather more thought needs to be devoted to financial strategies that could be brought into play in the event of a global financial crisis. A financial crisis is the most likely way in which the existing world order could begin to collapse. A new financial mechanism would be needed to seize the initiative for transcending the liberal separation of economy from polity and for reembedding the economy in a society imbued with the principles of equity and solidarity.

NOTES

1. See e.g. Susan Strange, *States and Markets* (London: Pinter, 1988); Charles E. Lindblom, *Politics and Markets* (New York: Basic Books, 1977).
2. Charles Morazé, *Les bourgeois conquérants* (Paris: Armand Colin, 1957).
3. *Globe and Mail* (Toronto) 19 December 1991.
4. Peter Drucker, 'The changed world economy', *Foreign Affairs* 64(4) spring 1986, wrote: '[I]n the world economy-of today, the "real" economy of goods and services and the

'symbol' economy of money, credit, and capital are no longer bound tightly to each other; they are, indeed, moving further and further apart.' (p. 783)

5. Susan Strange, *Casino Capitalism* (Oxford: Basil Blackwell, 1986).
6. Bernadette Madeuf and Charles-Albert Michalet, 'A new approach to international economics', *International Social Science Journal* 30 (2) 1978.
7. The title of a forthcoming book edited by James Rosenau and E.-O. Czempiel (Cambridge University Press, 1992) which deals with many aspects of the problem of world order, although not explicitly with global finance. Susan Strange, *Casino Capitalism*, op. cit. (pp. 165–69) argues that effective regulation over finance is unlikely to be achieved through international organisation, and that only the US government, by intervening in the New York financial market, might be capable of global effectiveness. But, she adds, US governments have behaved unilaterally and irresponsibly in this matter and show no signs of modifying their behaviour.
8. There is a growing interest in the nature and processes of this *nébuleuse*. See, e.g. work of the University of Amsterdam political economy group, especially Kees van der Pijl, *The Making of an Atlantic Ruling Class* (London: Verso, 1984); Stephen Gill, *American Hegemony and the Trilateral Commission* (Cambridge: Cambridge University Press, 1990); and an unpublished dissertation at York University by André Drainville (1991).
9. See e.g. Michel Albert, *Capitalisme contre capitalisme* (Paris: Seuil, 1991).
10. Stephen Gill has referred to the 'new constitutionalism'. See his 'The emerging world order and European change: the political economy of European union' paper presented at the XVth World Congress of the International Political Science Association, Buenos Aires, Argentina, July 1991.
11. Martin Shefter, 'New York City's fiscal crisis: the politics of inflation and retrenchment' *The Public Interest* summer 1977.
12. Michel J. Crozier, Samuel P. Huntington, and Joji Watanuki, *The Crisis of Democracy. Report on the Governability of Democracies to the Trilateral Commission*. (New York: New York University Press, 1975.)
13. Ralf Dahrendorf, to his credit, criticised these findings in a plea 'to avoid the belief that a little more employment, a little less education, a little more deliberate discipline, and a little less freedom of expression would make the world a better place, in which it is possible to govern effectively.' (op. cit. p. 194).
14. International relations analysts use the term Westphalian to refer to an interstate system supposed to have come into existence in Europe after the Peace of Westphalia in 1648.
15. Hedley Bull, *The Anarchical Society* (New York: Columbia University Press, 1977) projected a 'new medievalism' as a likely form of future world order.
16. Susan Strange, 'The name of the game', in Nicholas X. Rizopoulos, ed. *Sea Changes: American Foreign Policy in a World Transformed* (New York: Council on Foreign Relations, 1990).
17. e.g. Richard Rosecrance, *The Rise of the Trading State* (New York: Basic Books, 1986).
18. Polanyi, *The Great Transformation* (Boston: Beacon Press, 1957).
19. 'Regime' is a word of art used by a currently fashionable school of international relations scholars, mostly American, to signify consensually agreed norms of behaviour in a particular sector of multilateral activity. See, e.g. Stephen Krasner, ed. *International Regimes*, special issue of *International Organization* 36 (2) spring 1982; and Robert O. Keohane, *After Hegemony* (Princeton: Princeton University Press, 1984).
20. David Calleo, *The Imperious Economy* (Cambridge, Mass.: Harvard University Press, 1982) pp. 51–60; and Michael Hudson, *Global Fracture. The New International Economic Order* (New York: Harper and Row, 1977) pp. 53–54.
21. Peter G. Peterson, 'The morning after' *Atlantic Monthly* October 1987.
22. It is not for me here to review the burgeoning literature debating the question of US 'decline'. Suffice to mention two contributions giving opposite views: Paul Kennedy, *The Rise and Fall of the Great Powers* (New York: Random House, 1987); and Joseph S. Nye, Jr. *Bound to Lead: The Changing Nature of American Power* (New York: Basic Books, 1990). There is very little disagreement on the basic facts: the decline of US productivity relative to European and Japanese productivity; and the extent of functional illiteracy and non-participation in economically productive work among the US population. The debate

is mainly between optimists and pessimists with respect to whether these conditions can be reversed. See Kennedy, 'Fin-de-sibcle' America', *The New York Review of Books* June 28, 1990.

23. Bjorn Hettne, 'Europe in a world of regions', paper for the United Nations University/Hungary Academy of Sciences conference on 'A New Europe in the Changing Global System', **Velence**, Hungary, September 1991.
24. An interesting work raising philosophical-ideological aspects of this problem is Yves **Lacoste**, *Ibn Khaldun. The Birth of History and the Past of the Third World* (London: Verso, 1984).